THIRD DIVISION

[G.R. No. 236525. March 29, 2023]

CHEVRON PHILIPPINES, INC., PETITIONER, VS. ALBERTO T. LOOYUKO (DOING BUSINESS UNDER THE NAME AND STYLE "NOAH'S ARK GROUP OF COMPANIES") AND HIS HEIRS, NOAH'S ARK SUGAR REFINERY, INC., ACHILLES "KELLY" L. PACQUING, JULIETA "JULIET" T. GO, AND THE HEIRS OF TERESITA C. LOOYUKO, RESPONDENTS.

D E C I S I O N

GAERLAN, J.:

Before the Court is a Petition for Review on *Certiorari*[1] filed to assail the Decision[2] dated July 20, 2017 and Resolution[3] dated January 4, 2018 of the Court of Appeals (CA) Special 15th Division in CA-G.R. CV No. 107098. These rulings in turn reversed and set aside the Decision[4] of the Regional Trial Court (RTC) of Manila (Branch 10) in Civil Case No. 99-92415, which ruled in favor of Chevron Philippines, Inc.'s (petitioner's) Complaint[5] against Alberto T. Looyuko (Alberto) (doing business under the name and style "Noah's Ark Group of Companies") and his Heirs, Noah's Ark Sugar Refinery, Inc., Achilles "Kelly" L. Pacguing (Achilles), Julieta "Juliet" T. Go (Julieta), and the Heirs of Teresita C. Looyuko (collectively respondents) for the payment of the latter's outstanding obligations to the former in the amount of P7,381.510.70 (as of September 30, 1998), plus interest and attorney's fees.

Factual Antecedents

In its Complaint below, petitioner (then known as Caltex Philippines, Inc.) alleged that on various dates from April to November 1997, respondent Alberto and co-respondents Achilles and Julieta (as officers of the said Noah's Ark Group of Companies) purchased from petitioner various petroleum products and services (including, but not limited to, bunker fuel oil and pumping/sealing refinery services), which were hauled from petitioner's distribution terminal at the Pandacan Oil Depot in Pandacan, Manila and brought to Noah's Ark Sugar Refinery, Inc. in *Barrio* Hulo, Mandaluyong City. Said purchases were covered by a total of 105 invoices[6] addressed to the name and account of the said Noah's Ark Sugar

Refinery, Inc.

It is petitioner's main allegation that respondents never paid for the abovementioned purchases, and petitioner (through its North Luzon Commercial District Manager Laurence Anthony P. Dyogi) accordingly sent two letters[7] to respondent Julieta (as Noah's Ark Sugar Refinery's Administrative Officer) dated April 3 and 20, 1998 requesting Noah's Ark Sugar Refinery's payment proposal that was supposedly promised by her in a meeting on February 26, 1998. Respondents' inaction relative to these letters prompted petitioner to send a formal demand letter[8] dated August 10, 1998, which constituted petitioner's last and final demand for respondents to settle its outstanding account of P7,381,510.70 (*i.e.*, the total sum of the unpaid amounts in the 105 unsettled invoices, exclusive of interest) before resort to court action. Said final demand letter still went unanswered. Hence, petitioner's Complaint.

In addition to the principal amount of P7,381,510.70 as actual damages, petitioner prayed in its Complaint for respondents to be solidarily liable for the payment of P1,000,000.00 as moral damages, P500,000.00 as exemplary damages, P1,000,000.00 as attorney's fees, and P500,000.00 as litigation expenses, plus interest and other suit costs.[9] Petitioner's Complaint also had an Urgent Prayer for Preliminary Attachment upon the properties of Noah's Ark Group of Companies and Noah's Ark Sugar Refinery.

Respondent Alberto, through special appearance by counsel, filed a Motion to Dismiss[10] with the allegation that he had never been properly served with the summons relative to the case. Substituted service was instead resorted to by the sheriffs upon respondent Achilles, who was served with summons at the office of Noah's Ark Sugar Refinery along Escolta Street, and was not a person competent to receive said summons on his behalf.

Respondents Achilles and Julieta, however, filed their Answer with Special & Affirmative Defenses and Compulsory Counterclaim,[11] which had the following averments:

1. Noah's Ark Sugar Refinery is a single proprietorship firm registered with the Department of Trade and Industry (DTI Certificate No. 97009597, issued on 30 January 1997) in the name of Respondent Alberto Looyuko as proprietor;
2. They denied being employed as officers of Noah's Ark Sugar Refinery, with respondent Julieta merely being the administrator of the Noah's Ark Building along Escolta Street in Manila, and respondent Achilles merely

being an executive assistant of the Noah's Ark Group of Companies, an entity not registered with either the DTI or the Securities and Exchange Commission (SEC);

3. They were never parties to, nor participants in, the alleged purchases of Petitioner's products, since they were never employees/officers of Noah's Ark Sugar Refinery;
4. The actual officers of Noah's Ark Sugar Refinery responsible for the alleged transactions were Vicente R. Sicat, the Executive Vice President, and Luis T. Ramos, the Administrative Manager;
5. The 105 invoices are actually addressed to Noah's Ark Sugar Refinery, and not to Noah's Ark Group of Companies; and
6. They merely entertained Petitioner's debt collectors when the latter visited Noah's Ark Building along Escolta Street in Manila (where Respondent Alberto Looyuko used to hold office on the 8th floor), which may have caused the confusion relative to their names being dragged into the case;
7. They never promised to provide Petitioner with a payment proposal to settle the outstanding obligations of Noah's Ark Sugar Refinery, since they both were never connected to such an entity to begin with; and
8. Petitioner's malicious imputation through its Complaint makes them entitled to moral damages in the amount of PhP10,000,000.00, exemplary damages in the amount of PhP5,000,000.00, attorney's fees in the amount of PhP100,000.00, plus appearance fees for their lawyers.

In an Order[12] dated 15 November 2001, the trial court denied Respondent Alberto Looyuko's Motion to Dismiss and upheld the substituted service of summons at his regular place of business (*i.e.*, Noah's Ark Building) upon a competent person in charge thereof (*i.e.*, respondent Achilles). In any event, he duly filed his Answer with Counter-Claim[13] and fully participated in the proceedings until his death on 29 October 2004, as indicated in the Notice of Death and Substitution[14] filed by his counsel. His substitute and wife, Teresita Looyuko, died nearly four (4) years later on 23 October 2008, as evidenced by the Notice of Death, for Substitution of Parties and Appointment of Guardian *Ad Litem*[15] filed by her counsel. The compulsory heirs and substitutes of the spouses in the present case are their children, namely: Alberto C. Looyuko, Jr., Abraham C. Looyuko, and Stephanie C. Looyuko.

In his Answer with Counter-Claim, Respondent Alberto Looyuko averred the following:

1. He denied ever owning, or doing business as, Noah's Ark Group of Companies or Noah's Ark Sugar Refinery, Inc.;
2. He also denied ever appointing or designating respondents Julieta and Achilles to any position and in whatever capacity;

3. He also denied having transacted with Petitioner personally or through respondents Julieta and Achilles relative to the alleged purchases of petroleum products and services;
4. He also denied ever receiving petitioner's letters for the settlement of his supposed outstanding obligations;
5. However, he averred that Noah's Ark Sugar Refinery is a sole proprietorship that had ceased operations since November 1997, and that he never authorized anyone to purchase any petroleum products or service from any entity or supplier, including Petitioner;
6. No *vinculum juris* exists between him and petitioner relative to the alleged transactions/purchases, since he never entered into any agreement with Petitioner for the same;
7. He also denied any participation in the supposed receipt of the petroleum products hauled to Noah's Ark Sugar Refinery's premises;
8. Petitioner's Complaint is malicious and unfounded, which entitles him to moral damages in the amount of P5,000,000.00, exemplary damages in the amount of P3,000,000.00, and attorney's fees and litigation expenses in the amount of P1,000,000.00; and
9. In view of the foregoing, the trial court must dissolve and discharge the writ of preliminary attachment issued on December 6, 1999, and to cancel all notices of levy implemented upon his properties.

Ruling of the Trial Court

After an exhaustive trial, during which Respondents actually filed a Demurrer to Plaintiffs (Petitioner's) Evidence[16] that was denied *via* an Order[17] dated May 12, 2010, RTC-Manila (Branch 10) rendered its Decision dated July 29, 2015, with the following dispositive portion:

> WHEREFORE, based on the evidence presented, judgment is hereby rendered in favor of the plaintiff and against the defendant Albert T. Looyuko, Sr., and the legal heirs of Alberto T. Looyuko, Sr. or his Estate are hereby ordered to pay the plaintiff's as follows:
>
> 1) The principal amount of P/7,381,510.70 as of September 30, 1998;
>
> 2) the amount of interest at P/1,531,198.52 already incurred as of September 30, 1998;
>
> Further, the defendant should pay additional amounts of interest based on the 24% percent rate of interest *per annum* reckoned from October 1, 1998 until fully paid.
>
> 3) The amount of P/1,000,000.00 as reimbursement of the attorney's fees already paid by the plaintiff to its lawyer and also the amount of P/20,846.17 as expenses of litigation already paid by the plaintiff to its lawyer, or the total amount of P/1,020,846.17;
>
> 4) Defendants Kelly Pacquing and Juliet Go are hereby dropped as party-defendants in this case, and that the complaint filed against them is hereby ordered dismissed;
>
> 5) To pay the costs of suits.
>
> SO ORDERED.[18]

In fine, the trial court made the following findings:

1) Respondent Alberto Looyuko was personally liable for the unpaid invoices for petroleum products and services provided by Petitioner, despite him not being a signatory to the said invoices. This is because the invoices show that the deliveries of the said products were "indubitably" made to, and accepted by, Noah's Ark Sugar Refinery (through its employees);
2) Respondents Julieta and Achilles were duly proven to be employees of Noah's Ark Sugar Refinery and agents of Respondent Alberto Looyuko, who should have brought Petitioner's letters to the attention of their employer/principal;
3) Respondents Julieta and Achilles, however, are to be dropped as defendants since plaintiff (Petitioner) did not present any evidence against them for their liabilities relative to the Complaint;

4) Noah's Ark Sugar Refinery was a single proprietorship registered in the name of respondent Alberto by the latter's own admission, even if the Partnership Agreement[19] executed by and between respondent Alberto and Jimmy Go (Jimmy) on October 10, 1986 to form Noah's Ark Group of Companies/Merchandising (with Noah's Ark Sugar Refinery listed as a subsidiary, though the partnership was never registered, as evidenced by the SEC's Certificate of Non-Registration of Corporate Partnership[20] dated August 25, 1999) was not admitted into evidence for lack of proper identification;

5) The testimony of Maria Cecilia S. Garcia (a senior credit analyst of petitioner) showed that Noah's Ark Sugar Refinery was a long-time customer of petitioner, since she attested to her computer monitoring of the progress of the relevant deliveries and invoices, and as to the upgraded credit line in favor of Noah's Ark Sugar Refinery;

6) The testimony of George Gumban (George) (a former salesman and commercial sales representative of petitioner that handled the Noah's Ark Sugar Refinery account) showed that a formal contract was not required for the deliveries, since all that was needed was the existence of a credit line in favor of a customer;

7) The evidence and testimonies on record proved that respondent Alberto applied for, and successfully secured, a credit line from petitioner that was the basis of the deliveries, and that he did not need to personally receive the deliveries since Noah's Ark Sugar Refinery had "designated receivers" who actually received the same;

8) The several witnesses presented by respondent Alberto were not competent to testify as to both the execution of any supply contract for the purchases, and as to the deliveries themselves, since either their periods of employment did not cover the invoices in question, or that they were only privy or knowledgeable about other aspects of the enterprise;

9) The interest payment charges at the rate of 24% was based on the stipulations provided in the invoices, which provided that the prevailing duly authorized maximum interest would be charged on overdue accounts, which is neither unconscionable nor excessive;

10) No proof was presented to show petitioner's entitlement to moral and exemplary damages, since there was no indication how petitioner's reputation was affected by respondents' non-payment of their obligations; and

11) The attorney's fees for petitioner should be limited only to P1,000,000.00, and not P1,028,110.00 as billed and itemized by petitioner's counsel, since the former amount was the one prayed for in the Complaint. The litigation expenses amounting to P20,846.17, however, are to be allowed in its entirety.

Aggrieved, respondents accordingly filed their Notice of Appeal.[21]

Ruling of the Appellate Court

In its Decision dated July 20, 2017, the CA Special 15th Division reversed and set aside the trial court's ruling, *viz*.:

> WHEREFORE, the Decision dated 29 July 2015 of the Regional Trial Court, Branch 10, Manila in Civil Case No. 99-92415 for Collection of Sum of Money and

> Damages in favor of plaintiff Chevron Philippines, Inc. is REVERSED and SET ASIDE, and the Complaint is DISMISSED.
>
> SO ORDERED.[22]

The appellate court's reasoning is quoted below in full:

> The appeal is meritorious.
>
> The elements of a contract of sale are, to wit: a) consent or meeting of the minds, that is, consent to transfer ownership in exchange for the price; b) determinate subject matter; and c) price certain in money or its equivalent. Based on the evidence on record, it cannot be said that there was a perfected contract of sale between Chevron and Noah's Ark/Looyuko as [sic] would entitle Chevron to collect the amounts sought.
>
> *First*, there was no purchase order or sales contract agreement under which Looyuko and/or Noah's Ark ordered Chevron's products at a price certain. Thus, there was an absence of proof showing Looyuko's consent to the purchase of petroleum products from Chevron, or a meeting of the minds between the parties.
>
> *Second*, although there are signatures of persons who purportedly accepted the petroleum products delivered, it does not clearly appear that these persons were duly authorized employees of Noah's Ark and/or Looyuko. Thus, while Chevron may have delivered products, it is not certain that these were actually received by Noah's Ark and/or Looyuko. In short, there is no proof of delivery, as would lead to the conclusion that there was a consummated contract of sale.
>
> Our examination of Chevron's invoices reveals that the petroleum products were taken and delivered by a third-party hauler, and were not delivered by Chevron itself to the end customer. Thus, without due authentication of the signatures of the persons who supposedly received the products delivered by Chevron's hauler, Chevron is without first-hand knowledge that its products actually reached their intended end-user.
>
> If delivery had been truly made, Chevron should have presented testimony of the

> hauler as to the circumstances surrounding the delivery and the identity of the persons who signed and received the products in behalf of Noah's Ark. However, Chevron failed in this regard.
>
> We cannot agree with the trial court's conclusion that there had been a delivery or performance of the contract of sale as [sic] would remove the case from the protection of the Statute of Frauds. It is elementary that the partial execution of a contract of sale takes the transaction out of the provisions of the Statute of Frauds ***only if*** the essential requisites of ***consent*** of the contracting parties, ***object*** and ***cause*** of the obligation concur and are clearly established to be present,[23] which is not the case here.
>
> *Third*, by Chevron's own admission, previous to the months of September to November 1997, Noah's Ark was a good customer that never defaulted in its payments and that never allowed its checks to bounce. Thus, it is out of character for Noah's Ark and Looyuko not to pay for products ordered and received.
>
> In view of Chevron's failure to prove its cause of action against the estate of Looyuko, Noah's Ark and Noah's Group, We see no further need to discuss the matter of the unconscionable interest at the rate of 24% per annum, or the huge amount of attorney's fees granted by the trial court to Chevron in the amount of P1 Million pesos.[24] (Emphasis and italics in the original)

Petitioner duly filed its Motion for Reconsideration,[25] with reference to which respondents filed their Comment.[26] Through its Resolution[27] dated January 4, 2018, the CA (former) Special 15th Division denied the said Motion for Reconsideration, *viz*.:

> After a careful evaluation of the motion for reconsideration filed by plaintiff-appellee, this Court finds no sufficient basis to disturb its decision, much less reverse or set aside the same.
>
> WHEREFORE, the motion for reconsideration is DENIED for lack of merit.
>
> SO ORDERED.[28]

Hence, the instant Petition.

Arguments of the Parties

Petitioner outlines the following assignment of errors as grounds for the grant of its prayer to reinstate the ruling of RTC-Manila (Branch 10);

1) The CA erred in not dismissing respondents' appeal outright for failure of their Appellant's Brief[29] to have any proper page references to the record of Civil Case No. 99-92415;
2) The CA erred in ruling that there was no contractual relationship between petitioner and respondents, since it was proven in trial that Noah's Ark Sugar Refinery had an existing credit line with petitioner, and that the sale and purchase of petitioner's petroleum products had already been consummated by their delivery. Allowing respondents to evade liability here would thus constitute their unjust enrichment; and
3) The CA erred in disregarding the trial court's appreciation of the totality of evidence, which, to petitioner's mind, will support a conclusion of contractual liability on the part of respondents.

For their part, respondents in their Comment[30] offer the following counter-arguments:

1) The Court, in *Banco de Oro Unibank, Inc. v. Spouses Locsin*,[31] had already ruled that the failure to cite page references to the record is not a fatal defect that will warrant the outright dismissal of an appeal;[32]
2) The CA's Decision dated July 20, 2017 was based on the evidence on record, as well as on subsisting contract law;
3) Petitioner failed to establish: a) any contractual relation with respondents; b) the fact that Noah's Ark Sugar Refinery received petitioner's petroleum products; and c) the fact that respondents Julieta and Achilles were corporate officers acting on behalf of respondent Alberto or of Noah's Ark Sugar Refinery; and
4) Respondents cannot be bound by the actions of unknown persons acting without their authority, and thus petitioner acted at its own peril when it transacted with, and delivered its products to, persons unauthorized to act on behalf of either respondent Alberto or Noah's Ark Sugar Refinery.

In its Reply *Ad Cautelam*,[33] petitioner merely repeated its arguments above, and reiterated its prayer for the reversal of the appellate court's grant of respondents' appeal.

Issues before the Court

For the Court's consideration are the following issues:

1) Whether or not respondents' appeal should have been dismissed outright for alleged failure to comply with Section 1(f), Rule 50, of the Rules of Court;

2) Whether or not sufficient evidence exists to prove the contractual relationship between petitioner and respondents relative to the alleged purchases and deliveries of petroleum products and services; and
3) Whether or not RTC-Manila (Branch 10) erred in imposing/upholding the 24% interest payment charges as stipulated in the invoices for the petroleum products and services.

Ruling of the Court

The instant Petition must be granted.

At the outset, the Court notes that normally, Petitions for Review on *Certiorari* under Rule 45 of the Rules of Court normally do not address questions of fact that would require a re-evaluation of the evidence. Such reevaluation is inappropriate since the jurisdiction of the Court under Rule 45 "is limited only to errors of law as the Court is not a trier of facts."[34] However, the instant Petition presents an exception to this general rule since the findings of the CA are contrary to those of RTC-Manila (Branch 10). Verily, these conflicting findings of fact are enumerated as one of the exceptions to the general rule of only raising questions of law in Petitions for Review on *Certiorari* as enunciated in *Medina v. Asistio, Jr.*[35] and reiterated in *Spouses Miano v. Manila Electric Co.*[36] This perforce requires the Court's re-examination of the evidence on record, since the resolution of the present controversy necessitates a detailed and definitive ruling on the facts that both petitioner and respondents have claimed to establish.

Additionally, the Court finds it prudent to summarily address the first issue, which concerns a procedural matter that has long been settled. Indeed, Section 1(f), Rule 50 of both the 1997 and 2019 Rules of Court states that an appeal may be dismissed due to the "[a]bsence of specific assignment of errors in the appellant's brief, or of page references to the record." But respondents are correct in invoking *Banco de Oro Unibank, Inc. v. Spouses Locsin*,[37] wherein the Court categorically reaffirmed its previous rulings that "failure to cite page references to the records of the case may be considered as a formal defect which is not fatal."[38] Indeed, respondents' Appellants Brief contains not a single page reference at all to the records of the trial court's proceedings below. However, respondents have made sufficient reference to the pleadings, actions, and attachments present in the trial court's record—enough for the CA to make its ruling. With that, the Court now proceeds to the substantive issues of the case.

Going to the crux of the present controversy, there is a need to first revisit elementary

concepts in the realms of sales, basic civil procedure, and evidence. The instant Petition will—and shall—be decided on the sole critical question of whether or not respondents are bound by their alleged receipt of the deliveries made by petitioner of its petroleum products and services. This question in turn will be answered by one of evidence: whether or not there exists proof of respondents' contractual liability *vis-à-vis* the transactions they so question.

To begin, Cesar L. Villanueva (citing *Coronel v. Court of Appeals*)[39] enumerates three essential elements of a valid contract of sale: "a) consent, or meeting of the minds to transfer ownership in exchange for the price; b) [determinate] subject matter; and c) price certain in money or its equivalent."[40] Absent any of these elements, the existence of a perfected contract of sale is essentially negated.[41] This is in accordance with Article 1318 of Republic Act No. 386, otherwise known as the Civil Code of the Philippines, which states that "[t]here is no contract unless the following requisites concur: 1) Consent of the contracting parties; 2) Object certain which is the subject matter of the contract; 3) Cause of the obligation which is established." The appellate court is, so far, correct in emphasizing these requisites in its Decision dated July 20, 2017.

Indeed, the burden was on petitioner to prove the existence of a perfected contract of sale of its petroleum products and services to respondents. The best evidence of the same would have been a duly executed and notarized agreement by and between the Parties that set in writing the specific terms and conditions of the alleged purchases. However, Such best evidence is wanting from the facts established in trial.

For present purposes, the Court deems it prudent to cause an enumeration of the various pieces of evidence and testimony that both parties offered at trial, in order to arrive at a satisfactory conclusion on whether or not petitioners were able to prove with preponderance of evidence that there indeed was a contract (or contracts) of sale with respondents. The relevant admitted pieces of evidence from the record are the following:

1) The 105 invoices from petitioner's records – an examination of these documents shows the products, unit price, and quantity/amount supposedly delivered to the Mandaluyong City address of Noah's Ark Sugar Refinery *via* the trucking/hauling services of various common carriers, as well as the various names of supposed Noah's Ark Sugar Refinery employees that received the shipments; the invoices also state that "the prevailing duly authorized maximum interest rate will be charged on overdue accounts," and that "for failure to pay against written demand, customer will be charged 20% of the indebtedness as attorney's fees in addition to the costs of suit."[42]

2) Petitioner's Summary[43] of the aforementioned 105 invoices, which on its face indicates that respondents' cumulative contractual liability amounted to P7,381,510.70 (as total principal) and P1,531,198.52 (as total interest up to September 30, 1998);

3) Petitioner's three Letters[44] dated April 3 and 20, 1998 (addressed to respondent Julieta, and indicating her supposed role as the administrative officer of Noah's Ark Sugar Refinery), and August 10, 1998 (addressed to respondent Achilles, and indicating his supposed role as Vice President for Marketing and Executive Assistant to the President of Noah's Ark Sugar Refinery), which assert that petitioner's representatives met with respondent Julieta to arrive at a payment arrangement, and to which respondent Julieta allegedly promised to submit a payment proposal for the indebtedness of Noah's Ark Sugar Refinery in the amount of P7,381,510.70;

4) The Testimony[45] of George (whose name and contact numbers appear in the first two letters previously mentioned, and who was designated therein as petitioner's sales representative) in open court, which indicated that: a) he was the salesman employed by petitioner (and working directly under North Luzon Commercial District Manager Dyogi) that handled the account of Noah's Ark Sugar Refinery; b) there was no documentation of any contract between petitioner and Noah's Ark Sugar Refinery, which was not required for opening an account/credit line for petitioner's customers that were not big corporations; c) that he had no personal knowledge about the specifics of the credit line granted to Noah's Ark Sugar Refinery, since this was handled by a different department; d) that he had no personal knowledge of the individual 105 orders as evidenced by the 105 invoices, since these were made directly to petitioner's Pandacan Terminal, and that the invoices were automatically generated; d) that he monitored the invoices and the credit line of Noah's Ark Sugar Refinery, but did not witness the delivery of any of the purchase orders; e) that normally, there is a designated receiver at a customer's warehouse or plant site, and the owner usually does not sign the invoice receipt himself or herself; f) that an employee in the Mandaluyong City address of Noah's Ark Sugar Refinery gave a referral to respondent Achilles in the Binondo office of Noah's Ark Group of Companies relative to Gumban's query on the non-payment of the purchases; g) that he had no personal knowledge relative to the beginning of the line of credit in favor of Noah's Ark Sugar Refinery, since he only took over from his predecessor as the designated sales representative; h) that he merely assumed the existence of a contract between petitioner and Noah's Ark Sugar Refinery since it was in petitioner's computer system; i) that he never met respondent Alberto, nor was he familiar with the latter's signature; j) that he had no personal knowledge in the preparation of the 105 invoices, nor even of the names and identities of the employees of Noah's Ark Sugar Refinery that received the deliveries; and k) that to his knowledge, there is an implied knowledge imputed to a customer with a credit line that all outstanding obligations based on purchase orders for a particular month were to be paid at the end of said month;

5) The Testimony[46] of Maria Cecilia Garcia, a senior credit analyst of petitioner, which indicated in open court that: a) she handled the monitoring of the credit line of Noah's Ark Sugar Refinery, which was P4,000,000.00 in 1997; b) that she had no personal knowledge relative to the generation of the invoices relative to the questioned purchases; c) that she knew that Noah's Ark Sugar Refinery had faithfully paid for past purchases due to her monitoring; d) that as far as she knew, petitioner did not have a standard operating procedure of having a supply agreement with clients who were not corporations; e) that she had no personal knowledge as to the circumstances surrounding the grant of petitioner's credit line to Noah's Ark Sugar Refinery, since said credit line evidently antedated her start as Petitioner's employee in 1994; f) that she had no personal knowledge of the application of Noah's Ark Sugar Refinery for the extension and increase of its credit line, since she only knew about this *via* a memorandum from petitioner's marketing department; g) that she could not present the credit investigation report on Noah's Ark Sugar Refinery, since this was strictly confidential; h) that to her knowledge, petitioner's inactive files (including the credit application of Noah's Ark Sugar Refinery) were in a warehouse somewhere, and that she had still not yet been given access to the same at the time of her testimony; i) that to her knowledge, no copy of the credit application existed in petitioner's computer system, despite petitioner having an extant account in the name of the company to monitor the same; j) that she had not met with respondent Alberto at any time; k) that to her knowledge, she could not recall any document sent by petitioner to respondent Alberto that confirmed petitioner's approval of the credit line (and extensions/increases thereon) in favor of Noah's Ark Sugar Refinery; l) that she had no participation in the preparation of petitioner's demand letters, nor in any meetings between petitioner's marketing department and Noah's Ark Sugar Refinery; and m) that she was not really sure that Noah's Ark Sugar Refinery actually withdrew the petroleum products, despite the fact that petitioner's computer system indicated that they had, including the dates and times when the withdrawals were allegedly made;

6) The Testimony[47] of Joey Carballo (Joey), a former operations manager of Noah's Ark Sugar Refinery, which indicated in open court that: a) to his knowledge, respondent Achilles was actually the "right-hand man" of Jimmy, whom Joey knew as the president of Noah's Ark Sugar Refinery; b) that to his knowledge, respondent Julieta was known to him as Jimmy's sister, and that she handled the accounting and financial matters of Noah's Ark Sugar Refinery in the Escolta Street office; c) that to his knowledge, respondent Alberto never participated in the operations of Noah's Ark Sugar Refinery, since said matters were all handled by Jimmy, and that he only visits the refinery in Mandaluyong City on special occasions such as the company Christmas parties; d) that crucially, to his knowledge, the purchasing department of Noah's Ark Sugar Refinery (handled by William Go, another sibling of Jimmy and Julieta) was in charge of the purchases of bunker fuel needed for the boilers used to process sugar; and e) that since he was employed with Noah's Ark Sugar Refinery from 1986 to 1992, he had no personal knowledge as to the alleged purchases of petroleum products from petitioner in 1997, or even of the employees of the refinery who signed the invoices evidencing receipt of the delivered products;

7) The Testimony[48] of Manuel G. Pagar, a chemical engineer and a former chief chemist of Noah's Ark Sugar Refinery from 1996 to 1998, which indicated in open court that: a) he had no personal knowledge regarding the specifics for the purchasing bunker fuel for the refinery's needs, since this was handled by the purchasing department headed by William Go; b) but to his knowledge, a bunker fuel supplier would normally make a formal quotation addressed to the refinery, and that the purchasing department would issue the purchasing order for the refinery's requirements; c) to his knowledge, respondent Achilles was a marketing and liaison officer of Noah's Ark Sugar Refinery who worked directly under the vice president (Wilson Go), but who held office in Escolta Street; d) that to his knowledge, said Wilson Go (another Go brother) was the purchasing manager of Noah's Ark Sugar Refinery and handled all the bunker fuel purchases; e) that to his knowledge, respondent Julieta was the chief accountant of Noah's Ark Sugar Refinery, who visited the refinery in Mandaluyong City on pay days and for other related transactions, but held office in Escolta Street; f) that to his knowledge as a former acting operations manager of the refinery for 10 months in 1996, the procedure for the receipt of bunker fuel deliveries involved the weighing of the delivery trucks by the refinery's scaler, and the formal receipt of the bunker fuel by a representative of the property department before unloading the same in the refinery's storage tank; g) that to his knowledge, he knows and confirms the identity of one signatory to some of the invoices that confirmed the refinery's receipt of the bunker fuel (*i.e.*, Leonides C. Mendoza, an employee of the refinery's property department); h) that to his knowledge, he knows only two bunker fuel suppliers that made regular deliveries to the refinery (*i.e.*, Petron Corporation and petitioner); i) that he did not personally witness the deliveries, since this was within the purview of the property and purchasing departments; j) that he is of the opinion that respondent Alberto was the chairman of the board of directors and sole proprietor of Noah's Ark Sugar Refinery, but the dayto-day management and operations of the refinery was handled by the Go family; and k) that to his knowledge, respondents Julieta and Achilles were trusted employees of Alberto who were responsible for the bunker fuel purchases; and

8) The Testimony[49] and Judicial Affidavit[50] of Marcelino C. Mijares, Jr., an internal auditor of Noah's Ark Sugar Refinery from 1988 to 1997, which established in open court that: a) to his knowledge, respondent Achilles worked as the executive assistant of Jimmy, whereas respondent Julieta (Jimmy's sister) worked in the Noah's Ark Building along Escolta Street in Binondo, Manila as the administrative head (presumably of Noah's Ark Group of Companies) overseeing leasing activities; b) to his knowledge, William Go was the refinery's purchasing officer in charge of procuring bunker fuel for the refinery's operations; c) to his personal knowledge, he was able to witness bunker fuel deliveries to the refinery, but that he only say trucks from Petron Corporation, and that he did not witness any deliveries done at night, since he only observed deliveries done during daytime; d) and that he did not recognize the names of the employees who supposedly received the bunker fuel delivered from Petitioner; e) that to his personal knowledge, respondent Alberto did not personally manage the affairs and operations of the refinery; f) as the refinery's internal auditor, his job was only limited to checking the refinery's sugar and materials inventory and not the refinery's finances, which was handled by another auditor; g) that to his personal knowledge as internal auditor, the main person checking the bunker fuel deliveries was the head of warehouse operations, and that his role was merely to cross-check the inventories (not the deliveries) without seeing the actual inventory documents; and h) that he had no personal knowledge of the audits done on the refinery's fuel purchases, since this was done by a different internal auditor.

On cumulative balance, the entirety of the evidence on record indeed proves the existence of the bunker fuel purchases and deliveries made by petitioner that respondents are liable to pay for.

To explain this, it is first necessary to illustrate the relevant legal principles in play here. Firstly, Paragraph 2, Article 1403 of the Civil Code states that a contract for the sale of goods at a price not less than P500.00 shall be unenforceable in action unless the said sale is, among others, in writing (or in some note or memorandum) and subscribed by the party charged, or when the buyer accepts and receives part of such goods. Article 1405 also states that contracts infringing the previously mentioned "Statute of Frauds" are "ratified by the failure to object to the presentation of oral evidence to prove the same, or by the acceptance of benefit under them."

Individually and collectively, the 105 invoices exceed P500.00, and therefore their underlying sale must be evidenced in a written contract or agreement between the buyer (Noah's Ark Sugar Refinery) and the seller (petitioner). However, as admitted under oath by George (petitioner's own witness), there was no documentation of any contract or agreement between petitioner and Noah's Ark Sugar Refinery, since this was not required

under their standard operating procedures for the creation of a credit line in favor of a customer that was not a big corporation. It is thus necessary to determine whether or not the underlying sale (or sales) is evidenced by respondents' acceptance and receipt of petitioner's petroleum products and services—or alternatively, whether or not respondents failed to object to evidence *aliunde* presented by petitioner to prove its monetary claim on the basis of the alleged sale or sales.

The ultimate question therefore in the present controversy is whether or not petitioner's petroleum products and services (*i.e.*, the hauling and delivery of bunker fuel needed for the operations of Noah's Ark Sugar Refinery) were duly received and accepted by respondents. The burden of proof defined under Section 1, Rule 131 of the 2019 Revised Rules on Evidence[51] as "the duty of a party to present evidence on the facts in issue necessary to establish his or her claim or defense by the amount of evidence required by law," was in this case upon petitioner's shoulders to bear. However, as will be noted, petitioner struggled in the prosecution of its claim.

To start, the Court notes that petitioner indeed failed to present an authenticated copy of any contractual agreement it had with Noah's Ark Sugar Refinery that set the terms of the purchase and hauling of the bunker fuel. The 105 invoices alone would indeed need the underwritten *vinculum juris* between the parties for them to be evidence of respondents' indebtedness. Additionally, petitioners did not provide any evidence to prove the receipt by any of respondents of its letters that ultimately constituted petitioner's legal demand for payment. Petitioner's own witnesses were actually not competent to testify as to either the execution of any agreement with Noah's Ark Sugar Refinery, nor as to the actual delivery and receipt of the bunker fuel, nor even as to the actual collection process of a client's indebtedness. Their personal knowledge was only with regard to the existence of the refinery's credit line in petitioner's computer system and records, though George's personal knowledge and opinions on the standard procedure of delivery to the refinery—and on the fact that it was not petitioner's policy to execute contracts with non-corporation clients—may carry some evidentiary weight and value. In summary, one looks at the evidence presented by petitioner in isolation and sees a lacking discharge of petitioner's burden of proof.

However, certain aspects of petitioner's evidence went uncontested during the proceedings in the trial court below. A perusal of respondent Alberto's Answer with Counter-Claim would yield his multiple denials relative to petitioner's claim, to wit:

1) He denied owning any business establishment by the name of either Noah's Ark Group of Companies or Noah's Ark Sugar Refinery;
2) He denied knowledge of respondents Julieta and Achilles, and of ever appointing or designating them as officers or to any position or official capacity, or of authorizing them to submit a payment proposal to petitioner;
3) He denied that he, personally or through respondents Julieta and Achilles, negotiated or procured petitioner's petroleum products and services for the usage of Noah's Ark Sugar Refinery;
4) With regard to the 105 invoices, he simply reiterated his denial of having concluded any agreement with petitioner for the purchases and deliveries of the petroleum products and services in question, and that not one of the invoices points to his participation in the alleged transactions for the said purchases and deliveries; and
5) He denied having personally received any letter from petitioner indicating the latter's effective demand for payment of the products delivered and services rendered.

But along with these multiple denials, respondent Alberto thereafter admitted in the same Answer with Counter-Claim that Noah's Ark Sugar Refinery was a sole proprietorship that had ceased operations since November 1997, ***and registered in his name***.[52] And his mere reiteration thereafter of his stance that he had no knowledge of, or participation in, the questioned transactions (or in any authorization for the same) had no further averment of any facts to support his said denials. Therefore, respondent Alberto opened himself up to the requirement of making specific denials with regard to petitioner's claim.

Rule 8, Section 10 of both the 1997 and 2019 Rules of Court defines specific denials in the following manner:

> Section 10. *Specific denial*. – A defendant must specify each material allegation of fact the truth of which he does not admit and, whenever practicable, shall set forth the substance of the matters upon which he relies to support his denial. Where a defendant desires to deny only a part of an averment, he shall specify so much of it as is true and material and shall deny only the remainder. Where a defendant is without knowledge or information sufficient to form a belief as to the truth of a material averment made to the complaint, he shall so state, and this shall have the effect of a denial.

Florenz D. Regalado (Regalado) expounded on the last part of the aforementioned provision, which is relevant for present purposes:

> Where the averments in the opposing party's pleading are based on documents which are in the possession of the defendant, or are presumed to be known by him, or are readily ascertainable by him, a general allegation of lack of knowledge or information thereof on his part will not be considered a specific denial but an admission (see Warner, Barnes and Co., Ltd. vs. Reyes, et al., 103 Phil. 662; Capitol Motors Corp. vs. Yabut, L-28140, Mar. 19, 1970; New Japan Motors, Inc. vs. Perucho, L-44387, Nov. 5, 1976; Gutierrez, el al. vs. CA. et al., L-31611, Nov. 29, 1976). The defendant must aver or state positively how it is that he is ignorant of the facts alleged (Phil. Advertising Counselors, Inc. vs. Revilla, et al., L-31869, Aug. 8, 1973).[53]

Regalado further noted the following:

> Where the answer merely reproduces the recitals in the complaint and denies such recitals without setting forth the matters relied upon in support of such denials although it is practicable to do so, such answer contains only general denials and judgment on the pleadings is proper (Sy-Quia. et al. vs. Marsman, et al., L-23426, Mar. 1, 1968).[54]

The fact that respondent Alberto admitted to being the registered proprietor of Noah's Ark Sugar Refinery in his Answer with Counter-Claim brings to the foreground other facts that are easily ascertainable by him (or presumed to be known by him) as such. For example, the records and files of Noah's Ark Sugar Refinery relative to the questioned transactions should have been easily produced, or if they were non-existent, then respondent Alberto would have easily presented the relevant employees of the refinery to aver the non-existence of any purchase order or delivery of petitioner's bunker fuel. But here, respondents' own evidentiary efforts fall short of the burden of evidence, which is defined under the same Section 1, Rule 131 as "the duty of a party to present evidence sufficient to establish or rebut a fact in issue to establish a *prima facie* case."

It was thus incumbent upon respondents, or specifically respondent Alberto, to aver in response to petitioner's claim the relevant facts relating to the controversy. Having admitted to being the refinery's proprietor, he was presumed to know at least the critical aspects of the refinery's operations, such as any major debts incurred. Even Section 3(d), Rule 131 of the Revised Rules on Evidence makes it a disputable presumption "[t]hat a

person takes ordinary care of his or her concerns." But his mere flat-out denials averring no personal knowledge of the questioned transactions, purchases, and deliveries, coupled with his failure to state any affirmative defense with supporting evidence, cannot be considered by the Court as sufficient specific denials. These are indeed, to his own detriment, admissions.

Further, the Court notes that the 105 invoices actually constituted actionable documents that needed to be contested in the manner provided in Section 8, Rule 8 of both the 1997 and 2019 Rules of Court, *viz.*:

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

Since respondent Alberto admitted to being the refinery's proprietor, the fact that the refinery's name appeared on all 105 invoices makes it appear that he (through his business name) was a party thereto. Thus, respondent Alberto was required to contest under oath the genuineness and due execution of the invoices. The invoices themselves are actually presumed to have happened in the ordinary course of business in accordance with Section 3(q), Rule 131 of the Revised Rules on Evidence, which presume "[t]hat the ordinary course of business has been followed." His flat-out denials of any personal knowledge or participation in the questioned transactions, purchases, or deliveries—even under oath, but without any further explanations or supporting evidence—are thus are insufficient to be specific denials. Crucially, when a party fails to contest an actionable document in the proper manner, the genuineness and due execution of the actionable document will be impliedly admitted. Regalado elaborated thus:

> By the admission of the genuineness and due execution of a document, such defenses as that the signature was a forgery; or that it was unauthorized in the case of an agent signing in behalf of a partnership or of a corporation; or that, in

> the case of the latter, the corporation was not authorized under its chatter to sign the instrument; or that the party charged signed the instrument in some other capacity than that alleged in the pleading setting out, or that it was never delivered, are deemed cut off.[55]

The Court is aware of its ruling in *Young Builders Corp. v. Benson Industries, Inc.*,[56] (*Young Builders*) wherein an accomplishment billing was declared ***not*** to be an actionable document *vis-à-vis* a collection case filed by a construction company against its client that failed to pay the balance of its indebtedness to said construction company for services rendered:

> As provided in the Rules, a written instrument or document is "actionable" when an action or defense is based upon such instrument or document. While no contract or other instrument need not and cannot be set up as an exhibit which is not the foundation of the cause of action or defense, those instruments which are merely to be used as evidence do not fall within the rule on actionable document[s].
>
> To illustrate, in an action to enforce a written contract of lease, the lease contract is the basis of the action and therefore a copy thereof must either be set forth in the complaint or its substance must be recited therein, attaching either the original or a copy to the complaint. The lease contract is an actionable document. Any letter or letters written by the lessee to the lessor or *vice versa* concerning the contract should not be set forth in the complaint. While such letters might have some evidentia[ry] value, evidence, even in writing, does not necessarily have a proper place in the pleadings.
>
> To clarify, not all documents or instruments attached or annexed to the complaint or the answer are actionable documents. To qualify as an actionable document pursuant to Section 7, Rule 8 of the Rules, the specific right or obligation which is the basis of the action or defense must emanate therefrom or be evident therein. If the document or instrument so qualifies and is pleaded in accordance with Section 7—the substance thereof being set forth in the pleading, and the original or a copy thereof attached to the pleading as an exhibit—then the genuineness and due execution thereof are deemed admitted unless the adverse party, under oath, specifically denies them, and sets forth what he claims to be

> the facts pursuant to Section 8 of Rule 8. Thus, a simple specific denial without oath is sufficient: (1) where the instrument or document is not the basis but a mere evidence of the claim or defense; (2) when the adverse party does not appear as a party to the document or instrument; and (3) when compliance with an order for an inspection of the original instrument is refused.
>
> The complaint filed by YBC is an action for a sum of money arising from its main contract with BII for the construction of a building. YBC's cause of action is primarily based on BII's alleged non-payment of its outstanding debts to YBC arising from their main contract, despite demand. If there was a written building or construction contract that was executed between BII and YBC, then that would be the actionable document because its terms and stipulations would spell out the rights and obligations of the parties. However, no such contract or agreement was attached to YBC's Complaint.
>
> Clearly, the subject Accomplishment Billing is not an actionable document contemplated by the Rules, but is merely evidentiary in nature. As such, there was no need for BII to specifically deny its genuineness and due execution under oath.[57] (Citations omitted)

But in the instant Petition, the 105 invoices are significantly different in substance from a mere bill for services rendered. The portion where the customer or customer's representative puts his or her name and signature to evidence the refinery's receipt of the bunker fuel makes an invoice here not merely evidentiary in nature. Precisely because they are *prima facie* evidence of the refinery's receipt of petitioner's petroleum products and services, they are outside the coverage of the Statute of Frauds and are thus indicative of an underlying purchase or sale between petitioner and Noah's Ark Sugar Refinery. And since respondent Alberto admitted to being the refinery's proprietor (the name of which appeared on the 105 invoices), and since he failed to deny employing or authorizing the refinery's employees who accepted and received the bunker fuel, he *prima facie* appeared to be a party to the invoices. He was thus under an obligation to properly contest the 105 invoices as actionable documents in accordance with the Rules of Court. He evidently failed to do so.

However, this brings up the issue of whether or not the 105 invoices were duly authenticated during the course of the trial. Petitioner's witnesses admitted that they were not competent to testify as to the generation (and therefore, the due execution and

genuineness) of the invoices, since the said documents were automatically generated and within the purview of petitioner's marketing department. Petitioner's witnesses neither witnessed the invoices' preparation nor the signing of the same by the refinery's representatives to evidence acceptance and receipt of the bunker fuel deliveries. Verily, the Court emphasized in *Young Builders*[58] the importance of authenticating private documents before their admission into evidence, *viz*.:

> Under Section 20 of Rule 132, before a private document is admitted in evidence, it must be authenticated by any of the following: the person who executed it, the person before whom its execution was acknowledged, any person who was present and saw it executed, the person who after its execution, saw it and recognized the signature, being familiar thereto, or an expert, or the person to whom the parties to the instrument had previously confessed execution thereof.[59]

Petitioner thus should have presented witnesses who actually saw the invoices' generation, or the invoices' acceptance, receipt, and subscription by the refinery's representatives, or at least someone in charge of keeping and managing petitioner's records for due authentication. The trial court thus essentially erred in issuing its Order[60] dated May 12, 2009 that admitted the 105 invoices "as part of the testimony of witness George who identified plaintiff's invoices and testified that the plaintiff delivered petroleum products and rendered pumping and sealing services to Noah's Ark Refinery owned and operated by defendant Alberto Looyuko."[61] Clearly, the 105 invoices were not properly authenticated according to the Revised Rules of Evidence. As the Court also stated in *Young Builders*,

> In the case of *Chua v. Court of Appeals*, it was held that before private documents can be received in evidence, proof of their due execution and authenticity must be presented. This may require the presentation and examination of witnesses to testify as to the due execution and authenticity of such private documents. When there is no proof as to the authenticity of the writer's signature appearing in a private document, such private document may be excluded.[62]

But thankfully for petitioner, respondents still ultimately failed to object to the formal offer

of the 105 invoices without their due authentication. Respondents did not offer any objection during the testimonies of petitioner's witnesses (since there was no need to do so due to their admission of having no personal knowledge as to the generation of the invoices), and crucially, they failed to sufficiently contest the authenticity of the invoices in their Comment/Opposition to Plaintiffs (petitioner's) Formal Offer of Exhibits.[63] In it, and with reference to the 105 invoices, respondents simply stated the following:

> The invoices do not prove that it was the Defendant who dealt with, participated, or was privy to the alleged purchase or hauling of petroleum products, or availed of the refinery and sealing services of plaintiff.
>
> The invoices neither prove that the Defendant authorized any of the persons mentioned by the plaintiff to transact with, procure, receive or avail of any product or service of plaintiff.[64]

Respondents did not even file a motion for reconsideration of the trial court's Order that admitted the 105 invoices without due authentication. Even in their Demurrer, respondents failed to specifically call out the issue of the invoices' proper authentication as private documents before admission into evidence. Respondents' Demurrer simply reiterates their point that the 105 invoices do not bear respondent Alberto's signature, and that the said invoices were "incompetent to even faintly link the late Alberto T. Looyuko to the alleged purchases of the petroleum products and services. Much less do they serve their stated purpose of proving that the plaintiff delivered petroleum products and rendered pumping and sealing services to the late Alberto T. Looyuko, through Noah's Ark Sugar Refinery."[65]

The case of *Chua v. Court of Appeals*,[66] which was cited in *Young Builders*, states the following important exception to the need of authentication for private documents:

> There is also no need for proof of execution and authenticity with respect to documents the genuineness and clue execution of which are admitted by the adverse party. These admissions may be found in the pleadings of the parties, or in the case of an actionable document which may arise from the failure of the adverse party to specifically deny under oath the genuineness and due execution of the document in his pleading.[67]

As previously and exhaustively discussed, respondents, specifically respondent Alberto, failed to both properly contest the 105 invoices as actionable documents in the Answer with Counter-Claim, and to contest the admission of the said 105 invoices into evidence without proper authentication. Respondents are therefore deemed to have waived their right to object to the 105 invoices as both actionable documents that form the bases of petitioner's claim, and as private documentary evidence in support of said claim.

Respondent Alberto not only failed to contest the 105 invoices as actionable documents. The Court notes that his flat-out denials as to the same merely state that he had no knowledge of the sales underlying them, and that he had no personal participation in their execution or generation. But he failed to specifically deny that the refinery's employees who signed the invoices to evince receipt of the bunker fuel (*i.e.*, Hernie Sadyangabay, Leonides Mendoza, Omar Roldan Cruz, Diego J. Señeres, William Alcapa, and Johhny B. Salvo) were in fact acting for and on behalf of Noah's Ark Sugar Refinery when they put their names and signatures thereon. In relation to his implied admission as to the genuineness and due execution of the 105 invoices, respondent Alberto thus averred a ***negative pregnant*** *vis-à-vis* the acceptance and receipt of Petitioner's petroleum products and services.

Regalado defined the concept of a negative pregnant in the following manner:

> A "negative pregnant" is that form of denial which at the same time involves an affirmative implication favorable to the opposing party. Such a "negative pregnant" is in effect an admission of the averment to which it is directed (I Martin 306). It is said to be a denial pregnant with an admission of the substantial facts in the pleading responded to.
>
> Where a fact is alleged with some qualifying or modifying language, and the denial is conjunctive, a negative pregnant exists and only the qualification or modification is denied, while the fact itself is admitted (Ison vs. Ison, 115 SW 2d. 330, 272 Ky. 836). Thus, where the complaint alleges that the defendant deprived plaintiff of possession on a claim of having purchased the property from a third person, and the answer denies merely the "material averments" and asserts that the defendant never claimed possessory rights based on the alleged purchase from such third person, there is a negative pregnant as the defendant has in effect denied only the qualification but not the averment that he had deprived the plaintiff of actual possession of the land (Galofa vs. Nee Bon Sin, L-22018, Jan.

17, 1968).[68]

Interestingly, and in support of the Court's conclusion that the 105 invoices were indeed actionable documents that respondents failed to properly contest, Regalado expounds on the applicability of the negative pregnant rule on bills of lading, which are *essentially* shipping invoices:

> Where the suit is brought upon the contractual obligation under the contract of carriage contained in the bills of lading, such bills of lading can be categorized as actionable documents which under this Rule must be pleaded either as causes of action or defenses, and the genuineness and execution of which are deemed admitted unless specifically denied under oath by the adverse party.
>
> Even assuming that the party against whom said provisions in the bills of lading are alleged made an averment in its responsive pleading which amounts to a denial, such denial is nonetheless pregnant with the admission of the substantial facts in the pleading responded to, which are not squarely denied. Thus, while the responding party objected to the validity of the agreement contained in the bills of lading for being contrary to public policy, the existence of the bills of lading and the stipulations therein are impliedly admitted. The denial made by the responding party is what is known in the law on pleadings as a negative pregnant, and is in effect an admission of the averment it is directed to (Philippine American Gen. Ins. Co., et al. vs. Sweet Lines, Inc., et al., G.R. No. 87434, Aug. 5, 1992).[69]

Revisiting respondent Alberto's Answer with Counter-Claim, this is the exact characteristic of the language and phrasing he used to deny all averments of petitioner's claim. His counter-allegation that he never "at any time met, dealt with, participated, or was privy to the alleged purchase or hauling of petroleum products or availed of the refinery and sealing services, with any of plaintiff's alleged representatives, or made any promise personally or thru [sic] any representative, to submit any alleged payment proposal as falsely averred by the plaintiff"[70]—coupled with his other counter-allegation that not a single invoice showed his "participation or privity"[71] to the purchases—did not specifically deny the acceptance and receipt of petitioner's petroleum products and services by the refinery's employees. It also must be noted that his own witness (*i.e.*, Manuel Pagar), identified at least one

signatory to some of the invoices (*i.e.*, Leonides Mendoza) as a refinery employee assigned to its property department—a crucial piece of evidence that respondents never bothered to address.

And crucially, respondent Alberto also stated in his Answer with Counterclaim the following paragraph:

> 19. The alleged hauling of petroleum products or availment [sic] related services if there were any, is/was totally unknown to and without the consent or authority from Looyuko, who have [sic] never applied for, contracted or negotiated with the plaintiff or any of its representatives for the hauling or availment of any oil or petroleum products and/or related services. Looyuko could not therefore have incurred or be liable for the alleged unpaid obligation being claimed by the plaintiff Looyuko never made any promise to submit any alleged payment proposal as he was never indebted to the plaintiff directly or indirectly, for any amount.[72]

This now brings to the foreground of the Court's already extensive discussion the relevant and applicable principles on the law on agency— specifically the concept of agency by *estoppel*. Articles and 1910 and 1911 of the Civil Code provide as follows:

> Article 1910. The principal must comply with all the obligations which the agent may have contracted within the scope of his authority.
>
> As far as any obligation wherein the agent has exceeded his power, the principal is not bound except when lie ratifies it expressly or tacitly.
>
> Article 1911. Even when the agent has exceeded his authority, the principal is solidarily liable with the agent if the former allowed the latter to act as though he had full powers.

The rule on agency by estoppel, otherwise known as the doctrine of apparent authority, was introduced into the Civil Code with the intention of protecting the rights of innocent persons dealing with agents carrying their principals' apparent authority—even if for the agents' purpose of misrepresentation.[73] This prevents said principals from disclaiming liability from

any transactions their supposed agents, and makes their supposed agents' representation conclusive. Said the Court in *Cuison v. Court of Appeals*,[74] "[i]t matters not whether the representations are intentional or merely negligent so long as innocent third persons relied upon such representations in good faith and for value."[75] The rule is also in line with Section 2(a), Rule 131 of the Revised Rules on Evidence, which enumerate as a conclusive presumption instances "[w]henever a party has, by his or her own declaration, act, or omission, intentionally and deliberately led another to believe a particular thing to be true, and to act upon such belief, he or she cannot, in any litigation arising out of such declaration, act or omission, be permitted to falsify it."

Thus, respondent Alberto's failure to timely disclaim the apparent authority of the refinery's employees who accepted and received petitioner's bunker fuel—or alternatively, his continued silence with regard to the said apparent authority—prevented him from disclaiming the same in the trial court's proceedings below. Since respondent Alberto admitted to being the refinery's proprietor, and since he never denied the employment of the refinery's personnel who accepted and received the bunker fuel, he effectively let said personnel carry out their duties and acquiesced to their apparent authority to sign the 105 invoices on behalf of Noah's Ark Sugar Refinery. The 105 invoices evidenced multiple deliveries of petitioner's petroleum products and services to the refinery's plant site in Mandaluyong City, and respondent Alberto never informed petitioner that the deliveries were made by mistake, or that Noah's Ark Sugar Refinery never authorized such purchases.

By the admission of his own witnesses, respondent Alberto seems to have neglected the management of the refinery, and now respondents seek to evade their payment of the refinery's indebtedness to petitioner by painting a picture of no connection or *vinculum* whatsoever between respondent Alberto and the refinery itself. Verily respondents here cannot have their cake and eat it, too. By operating as a single proprietorship registered in respondent Alberto's name, and by barely attending to the management of its affairs and operations, he cannot escape the inevitable flood or deluge of collection cases surely to follow if the single proprietorship he owns cannot pay its debts. He (or more appropriately, his estate) should be made to answer for the refinery's indebtedness to petitioner.

But going now to the third and final issue of the instant Petition, the Court sees fit to modify the trial court's error relative to the interest payments imposed upon respondents. The reasoning of RTC-Manila (Branch 10) is quoted thus:

> In the present case the 24% per annum was based on the stipulations provided under the various vouchers (Exhs. "C", "C-1" to "C-104") which provides that the prevailing duly authorized maximum interest rate will be charged on overdue accounts. This interest rate of 24% per annum has been agreed upon by the parties. As found by the Supreme Court in the Bacolor case, the imposition of 24% interest per annum rate is neither unconscionable nor excessive. Accordingly, this Court agrees with the 24% per annum interest rate imposed by the plaintiff on the overdue account.[76]

The trial court's facts relative to this particular issue however, are misplaced. The 105 invoices incorrectly labeled as "vouchers" carry the following relevant conditions relative to each of the purchases:

> CONDITIONS OF SALE:
>
> - THE PREVAILING DULY AUTHORIZED MAXIMUM INTEREST RATE WILL BE CHARGED ON OVERDUE ACCOUNTS.
> - FOR FAILURE TO PAY AGAINST WRITTEN DEMAND, CUSTOMER WILL BE CHARGED 20% OF THE INDEBTEDNESS AS ATTORNEY'S FEES IN addition TO THE COSTS OF THE SUIT.[77]

The trial court's basis for its imposition of a 24% interest rate seems to have come from its perusal of petitioner's Summary[78] of the said 105 invoices, which erroneously stated the said figure. As stated in the conditions of sale, the ***prevailing duly authorized maximum interest*** is to be the stipulated charge on overdue accounts. If the trial court was referring to the portion of the conditions of sale that mentions "20%," this would only refer to a lump-sum penalty on the principal indebtedness as attorney's fees in addition to litigation costs. The prevailing duly authorized maximum interest rate here at the time of petitioner's extrajudicial demand (*i.e.*, petitioner's formal Demand Letter[79] dated August 10, 1998 principally addressed to respondent Alberto, who was unable to specifically deny that the same was received by a certain employee of his named Leopoldo Agsacona on August 21, 1998) was 12%, since this was before the promulgation of *Bangko Sentral ng Pilipinas* Circular No. 799 dated July 21, 2013 (which set thereafter the prevailing interest rate for the loan or forbearance of any money, goods, or credits and the rate allowed in judgments in the absence of express stipulation at 6% starting July 1, 2013).[80]

In accordance with the Court's most recent ruling in *Lara's Gift & Decors, Inc. v. Midtown Industrial Sales, Inc.*,[81] the Court deems it proper to impose compensatory interest in favor of petitioner in the following manner:

1) Respondents' principal indebtedness to petitioner shall have an interest rate of 12% from August 12, 1998 to June 30, 2013, and at 6% from July 1, 2013 onwards until fully paid;
2) The interest on respondents' principal indebtedness covering the time from the generation of the last invoice up to January 25, 1999, which was when petitioner judicially demanded the same when it filed its Complaint, shall be at 6% until fully paid, in accordance with Article 2212 of the Civil Code; and
3) 20% of respondents' principal indebtedness shall be attorney's fees payable to petitioner in accordance with the invoices' conditions of sale. This replaces the trial court's earlier award of P1,020,846.17 as attorney's fees and litigation costs based on the computation and evidence presented by petitioner's counsel, since as stated, this was already stipulated in the conditions of sale on each invoice.

On a final note, the Court also deems it necessary to affirm the trial court's dropping of respondents Julieta and Achilles as defendants in the proceedings below. It was never proven that they were the signatories to any contractual agreement with petitioner, or even respondents' duly designated representative to negotiate with petitioner on his behalf. As evidenced by the testimonies of Joey Carballo and Manuel Pagar (petitioner's own witnesses), this was the domain of the purchasing officer of Noah's Ark Sugar Refinery, *i.e.*, William Go. Respondent Alberto also failed to specifically deny this material fact, and this further affirms his indebtedness to petitioner as the refinery's sole proprietor.

In summation, the facts of the instant Petition are not similar to situations such as when a person receives fake food deliveries in bulk that were anonymously and maliciously made in his name, so that he or she would be liable for the likely large bill. The person faced with such a situation is legally not required to pay the delivery rider, since the former had no opportunity at all to disclaim that the bulk orders were made with his authorization. Here, Noah's Ark Sugar Refinery let petitioner deliver 105 shipments of bunker fuel without so much as a protest to the first few deliveries. Verily, while indeed petitioner's "covenant" with Noah's Ark Refinery was not evidenced by a "rainbow"-like contractual agreement, the overall evidence on balance proves petitioner's deliveries, which entitles it to compensation for goods shipped and services rendered.

WHEREFORE, the instant Petition is hereby **GRANTED**. The Decision dated July 20, 2017 and Resolution dated January 4, 2018 of the Court of Appeals Special 15th Division in CA-

G.R. CV No. 107098 are accordingly **REVERSED and SET ASIDE**, and the Decision dated July 29, 2015 of the Regional Trial Court of Manila.(Branch 10) in Civil Case No. 99-92415 is hereby **REINSTATED with the following MODIFICATIONS**:

1) Respondents' principal indebtedness to petitioner Chevron Philippines, Inc. shall have an interest rate of 12% from August 21, 1998 (when petitioner Chevron Philippines, Inc.'s formal Demand Letter was received) to June 30, 2013, and at six percent (6%) from July 1, 2013 onwards until fully paid;

2) The interest on respondents' principal indebtedness covering the time from the generation of the last invoice up to January 25, 1999, which was when petitioner Chevron Philippines, Inc. judicially demanded the same when it filed its Complaint, shall be at six percent (6%) until fully paid, in accordance with Article 2212 of the Civil Code; and

3) 20% of respondents' principal indebtedness shall be attorney's fees payable to petitioner Chevron Philippines, Inc. in accordance with the invoices' conditions of sale, replacing the earlier award of the trial court of P1,020,846.17.

FURTHER, the total monetary award shall also bear legal interest of six percent (6%) from finality of this Decision until full payment.

SO ORDERED.

Caguioa, (Chairperson), Inting, Dimaampao, and *Singh, JJ.*, concur.

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[1] *Rollo*, pp. 8-46.

[2] *Id.* at 53-58; penned by Associate Justice Ricardo R. Rosario (now a Member of this Court), with Associate Justices Edwin D. Sorongon and Maria Elisa S. Diy, concurring.

[3] *Id.* at 60-61.

[4] *Id.* at 62-96.

[5] *Id.* at 97-110.

[6] *Id.* at 116-220.

[7] *Id.* at 221-222.

[8] *Id.* at 224.

[9] *Id.* at 105.

[10] *Id.* at 225-228.

[11] *Id.* at 231-242.

[12] *Id.* at 229-230.

[13] *Id.* at 244-254.

[14] *Id.* at 255-257.

[15] *Id.* at 258-264.

[16] *Id.* at 919-931.

[17] *Id.* at 932-945.

[18] *Id.* at 96.

[19] *Id.* at 754-756.

[20] *Id.* at 257.

[21] *Id.* at 999-1002.

[22] *Id.* at 57-58.

[23] Citing **Dao Heng Bank, Inc. v. Spouses Laigo**, 592 Phil. 172 (2008).

[24] *Rollo*, pp. 56-57.

[25] *Id.* at 1077-1089.

[26] *Id.* at 1090-1099.

[27] *Id.* at 60-61.

[28] *Id.* at 60.

[29] *Id.* at 1005-1029.

[30] *Id.* at 1226-1243.

[31] 739 Phil. 486 (2014).

[32] *Id.* at 500-501, citing **Rizal v. Naredo**, 684 Phil. 154 (2012), which in turn cited **Tan v. Planters Products, Inc.**, 573 Phil. 416 (2008).

[33] *Rollo*, pp. 1251-1276.

[34] **Lopez v. Saludo, G.R. No. 233775**, September 15, 2021.

[35] 269 Phil. 225 (1990).

[36] 800 Phil. 118 (2016).

[37] *Supra* note 31.

[38] *Id.*

[39] 331 Phil. 294 (1996).

[40] CESAR VILLANUEVA, LAW ON SALES (2016 ed.), p. 3.

[41] *Id.* at 4, citing **Dizon v. Court of Appeals**, 361 Phil. 963 (1999); and **Spouses Firme v. Bukal Enterprises & Development Corp.**, 460 Phil. 321 (2003).

[42] *Rollo*, pp. 116-220.

[43] *Id.* at 111-115.

[44] *Id.* at 221-224.

[45] *Id.* at 267-334.

[46] *Id.* at 335-450.

[47] *Id.* at 462-509.

[48] *Id.* at 510-569.

[49] *Id.* at 570-616.

[50] *Id.* at 949-953.

[51] **A.M. No. 19-08-15-SC**, October 8, 2019.

[52] *Rollo*, p. 247.

[53] FLORENZ REGALADO, REMEDIAL LAW COMPENDIUM (Vol. I, 1999 ed.), p. 158.

[54] *Id.* at 159.

[55] *Id.* at 156.

[56] **G.R. No. 198998**, June 19, 2019.

[57] *Id.*

[58] *Id.*

[59] *Id.*

[60] *Rollo*, pp. 912-913.

[61] *Id.* at 912.

[62] *Supra* note 56, citing **Chua v. Court of Appeals**, 283 Phil. 253 (1992).

[63] *Rollo*, pp. 907-911.

[64] *Id.* at 907-908.

[65] *Id.* at 921-922.

[66] 283 Phil. 253 (1992).

[67] *Id.* at 260.

[68] REGALADO, *supra* note 53, at 519.

[69] *Id.* at 160.

[70] *Rollo*, p. 245.

[71] *Id.* at 250.

[72] *Id.* at 247.

[73] See **Manila Remnant Co., Inc. v. Court of Appeals**, 269 Phil. 643 (1990).

[74] 298 Phil. 162 (1993).

[75] *Id.* at 170-171.

[76] *Rollo*, p. 93.

[77] *Id.* at 116-220.

[78] *Id.* at 111-115.

[79] *Id.* at 224.

[80] See **Secretary of Public Works and Highways v. Spouses Tecson**, 758 Phil. 604 (2015) (Resolution on Respondents' Motion for Reconsideration).

[81] **G.R. No. 225433**, September 20, 2022 (Resolution on respondents' Motion for Reconsideration).

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