

Title: Victorias Milling Co., Inc. vs. Court of Appeals and Consolidated Sugar Corporation (389 Phil. 184)

Facts:

Victorias Milling Co., Inc. (VMC) regularly transacted with St. Therese Merchandising (STM), to whom it issued Shipping List/Delivery Receipts (SLDRs) evidencing purchases. SLDR No. 1214M, dated October 16, 1989, became the subject matter of the case, representing a direct sale of 25,000 bags of sugar, conditioned on stock availability at the warehouse.

STM sold their rights in SLDR No. 1214M to Consolidated Sugar Corporation (CSC) for P 14,750,000.00, who then informed VMC of this change and provided authority documentation. Despite STM issuing checks to VMC which were acknowledged as payment for two separate SLDRs (1213 and 1214M), VMC later maintained that STM's checks only covered a single SLDR, thereby inhibiting CSC from withdrawing the remaining sugar under SLDR No. 1214M.

CSC demanded the release of the 23,000 undelivered bags but to no avail. Consequently, they initiated a complaint for specific performance against STM and VMC. However, legal proceedings solely continued against VMC with Teresita Ng Go (owner of STM) taking the stand as CSC's witness instead.

The Regional Trial Court decided in favor of CSC, ordering VMC to deliver the remaining sugar and award damages. VMC appealed to the Court of Appeals (CA), arguing all transactions were part of a single series of trades linked to one sales contract with withdrawals against cleared checks.

The CA initially modified the trial court's decision, directing VMC to deliver 12,586 bags of sugar and pay associated attorney's fees, which was later amended to 23,000 bags on September 30, 1994, affirming the original trial court's ruling in favor of CSC. VMC then brought the matter before the Supreme Court (SC).

Issues:

1. Whether the CA erred by not recognizing CSC as an agent of STM, thereby estopped from suing as an assignee of SLDR No. 1214M.
2. Whether the CA misapplied the compensation law, disallowing VMC to offset its claims against STM's debts from other SLDRs.
3. Whether the CA incorrectly identified the transaction under SLDR No. 1214M as a

definite sale rather than a conditional one.

4. Whether the “clean hands doctrine” should preclude CSC from seeking judicial relief.

Court’s Decision:

The SC upheld the CA’s decision and denied the petition:

1. CSC was not STM’s agent; their act of “sold and endorsed” indicated a definitive sale, allowing CSC to independently sue sans restraint.
2. Evidence affirmed that payment for SLDR No. 1214M was fulfilled; thus, VMC and CSC had no mutual debt to offset.
3. The terms in SLDR No. 1214M indicated a transfer of title upon payment; thus, the sale was unconditional.
4. Allegations of a conspiracy to defraud VMC were speculative and unsupported by evidence.

Doctrine:

The case reiterates that agency is based on representation which must involve consent or authority, made evident by control and direction. It also elucidates that the non-existence of mutual credits debunks the notion of compensation under Article 1279 of the Civil Code, and confirms the intention of the parties ingrained in the contract cannot be overstated and is legally binding if not unlawful, unethical, or in violation of public order.

Class Notes:

In a contract of agency (Civil Code, Art. 1868), representation and control by the principal are vital. A contract of sale is governed by the intention of the parties and articulated terms (Civil Code, Art. 1306). Compensation is outlined under Article 1279, which requires each party to be both a principal creditor and debtor to the other—something that wasn’t present in this case.

Historical Background:

This case reflects commercial praxis within the Philippine sugar industry, where complex trading relationships between mills, traders, and distributors are common. The pertinent legal determinations highlight the critical roles played by documents like SLDRs in such trade transactions and their legal interpretation by courts under Philippine law. The decision underscores the legal nuances involved in distinguishing between contracts of sale and agency, notably emphasizing contract intentions and conditions agreeable to both parties within the bounds of the law.