

Title: Norkis Distributors, Inc. v. The Court of Appeals & Alberto Nepales

Facts:

The case concerns Norkis Distributors, Inc., a distributor of Yamaha motorcycles in Negros Occidental, and Alberto Nepales. On September 20, 1979, Nepales purchased a Yamaha Wonderbike motorcycle from Norkis, paying through a Letter of Guaranty from the Development Bank of the Philippines (DBP), with the arrangement that the motorcycle would remain with Norkis until the payment was settled by DBP. The motorcycle was registered in Nepales' name on November 6, 1979, with registration fees paid by him. On January 22, 1980, the motorcycle was delivered to Julian Nepales, allegedly an agent of Alberto Nepales, a claim Alberto denies. The motorcycle met an accident on February 3, 1980, and became a total wreck. Subsequently, Norkis received the loan proceeds from DBP on March 20, 1980, after which Nepales demanded delivery of the motorcycle or compensation, leading to the filing of a lawsuit for specific performance with damages in the Regional Trial Court (RTC) of Himamaylan, Negros Occidental. The RTC ruled in favor of Nepales, a decision which the Court of Appeals affirmed with minor modification regarding damages.

Issues:

1. Whether the ownership of the motorcycle was transferred to Nepales at the time of the accident such that the loss should be borne by him.
2. Whether there was actual or constructive delivery of the motorcycle to Nepales prior to the accident.

Court's Decision:

The Supreme Court affirmed the decision of the Court of Appeals, holding that the risk of loss of the motorcycle should be borne by Norkis Distributors, Inc., as there was neither actual nor constructive delivery of the motorcycle to Alberto Nepales. The Court found that the issuance of a sales invoice and the registration of the motorcycle in Nepales' name did not constitute delivery as there was no intention to transfer ownership at that time. The Court emphasized that delivery, whether constructive or actual, must be coupled with the intention of delivering the thing, which was absent in this case. Therefore, under Article 1496 of the Civil Code, the motorcycle remained at the seller's risk until ownership was transferred to the buyer, which had not occurred by the time of the accident.

Doctrine:

This case reiterates the doctrine that the risk of loss in a contract of sale remains with the

seller until there is actual or constructive delivery of the sold item to the buyer. Delivery requires not just the act but also the intention to transfer ownership. Furthermore, the Court clarified that the issuance of a sales invoice or the registration of an item in the buyer's name does not, by themselves, prove the transfer of ownership or constitute delivery.

Class Notes:

- Risk of loss: In a contract of sale, remains with the seller until ownership is transferred to the buyer.
- Actual vs. Constructive Delivery: Ownership of the item sold is transferred from seller to buyer only upon actual or constructive delivery, which requires both the act of delivery and the intention to transfer ownership.
- Article 1496, Civil Code: Specifies that the risk of loss remains with the seller until ownership is transferred to the buyer, absent an express agreement.

Historical Background:

The case illustrates the application of principles of sales under the Philippine Civil Code, focusing on the obligations of the seller regarding the delivery of goods and the transfer of ownership. The decision clarifies the conditions under which risk of loss is transferred from the seller to the buyer, addressing common practices in commercial transactions such as the issuance of sales invoices and vehicle registration.