

Title: Virgilio S. David vs. Misamis Occidental II Electric Cooperative, Inc. (G.R. No. 91839)

Facts:

1. **Initial Agreement**: Virgilio S. David, owner of VSD Electric Sales, discussed supplying a 10 MVA transformer to Misamis Occidental II Electric Cooperative, Inc. (MOELCI) to address its power shortage. Adjustments and agreements were made regarding terms and conditions of the sale.
2. **Board Resolution**: On June 8, 1992, MOELCI's General Manager, Engr. Reynaldo Rada, and Director Jose Jimenez returned to present a board resolution authorizing the purchase from David. David's proposal was signed by both parties.
3. **Payment and Delivery Terms**: The agreement (a purported contract) specified a 50% downpayment and balance upon delivery, with additional costs to be borne by the buyer.
4. **Request for Delivery**: In December 1992, due to loan delays, MOELCI requested delivery without downpayment, to which David agreed, subject to 24% annual interest.
5. **Shipment of Goods**: The transformer was shipped to Ozamiz City on December 17, 1992.
6. **Demand for Payment**: After several months of non-payment, David's marketing manager discovered that the goods were released to MOELCI. Evidence showed payment of arrastre charges and delivery receipts.
7. **Legal Actions**: David demanded payment but received no payment. On February 17, 1994, David filed a complaint for specific performance with damages with the RTC.
8. **Procedural Posture**: MOELCI moved to dismiss, citing lack of cause of action and the Statute of Frauds. RTC denied preliminary hearings for affirmative defenses, and trial ensued ex parte due to MOELCI's absence. RTC dismissed David's complaint, declaring a contract of sale was perfected but not consummated. This was appealed to the CA, which upheld the RTC ruling. David brought the petition to the Supreme Court.

Issues:

1. **Was there a perfected contract of sale?**
2. **Was there delivery that consummated the contract?**

Court's Decision:

Issue 1: Was there a perfected contract of sale?

- **Supreme Court Ruling**: The Court determined that a perfected contract of sale existed. The elements of consent, determinate subject matter, and price certain in money were all

present. Despite the CA and RTC's conflicting views, the document signed by MOELCI's representatives under the word "conforme" indicated agreement to the sale terms. The context and subsequent actions (including a board resolution and multiple meetings) further confirmed an agreement, distinguishing it from a mere contract to sell.

****Issue 2: Was there delivery that consummated the contract?***

- ****Supreme Court Ruling****: The Supreme Court found delivery was consummated. Under Article 1523 of the Civil Code, delivery of goods to a carrier is deemed delivery to the buyer. The evidence showed the transformer was shipped and accepted by MOELCI. The presence of cargo receipts and payment of port charges solidified this fact.

Doctrine:

- ****Contracts of Sale vs Contracts to Sell****: A contract of sale includes consent to transfer ownership, determinate subject matter, and a certain price. Title and ownership transfer upon delivery. A contract to sell stipulates conditions (like full payment) before transfer of ownership.

- ****Delivery via Carrier****: As per Article 1523 of the Civil Code, delivery to a carrier is deemed delivery to the buyer unless otherwise indicated. In this case, delivery was validated by shipping documents and subsequent acceptance by the buyer.

Class Notes:

- ****Contract of Sale****: Elements include consent, determinate subject matter, and price certain (Article 1475, Civil Code).

- ****Statute of Frauds****: Partial performance takes a contract out of the Statute of Frauds (Article 1403, Civil Code).

- ****Interest Rates****: Interest rates, even if contractually agreed upon, can be adjusted for fairness if deemed unconscionable (Central Bank Circular No. 905, s. 1982, Article 1229, Civil Code).

Historical Background:

- ****Economic Context of the 1990s****: During the 1990s, power shortages were common in various regions of the Philippines, driven by rapid economic growth and infrastructural challenges. Electric cooperatives frequently sought loans from national agencies like the National Electrification Administration (NEA) to finance large equipment purchases. The case reflects these dynamics and the contractual disputes that can arise amid financial constraints and the necessity for infrastructural improvements.