

Title: **Bank of the Philippine Islands as Successor-in-Interest of Far East Bank and Trust Company vs. SMP, Inc.**

Facts:

- January 1995:** Maria Teresa Michaela Ong, Sales Executive of SMP, Inc., handles a purchase order for Clothespak Manufacturing Philippines (Clothespak) for 4,000 bags of General Purpose (GPS) polystyrene products.
- Delivery:** The GPS polystyrene products are delivered to Clothespak with delivery receipts issued.
- Payment:** Clothespak issues postdated checks amounting to USD 118,500, which are delivered to SMP, Inc.
- Dishonor of Checks:** Upon deposit, the checks are dishonored with the notation "Account Closed."
- March 14, 1995:** Far East Bank and Trust Company files a recovery of sum of money case against Clothespak in Pasig Court, leading to the issuance and enforcement of a preliminary attachment on Clothespak's properties, including the 4,000 bags of GPS polystyrene products.
- March 28, 1995:** SMP, Inc. files an Affidavit of Third Party Claim in the Pasig Court, asserting ownership over the goods.
- Indemnity Bond and Writ:** Despite SMP, Inc.'s claim, Far East Bank files an indemnity bond leading the court to direct SMP, Inc. to ventilate its claim through a vindicatory action under Section 17, Rule 39 of the Revised Rules of Court.
- Final Judgment:** Pasig Court rules in favor of Far East Bank, leading to enforcement against Clothespak's properties.
- Civil Case (Q-97-30372):** SMP, Inc. files against Far East Bank in RTC, seeking to recover the value of the attached goods.
- RTC Decision:** On June 6, 2005, RTC rules in favor of SMP, Inc., requiring Far East Bank to pay SMP, Inc. P2,963,041.53.
- Appeal:** Far East Bank appeals but the Court of Appeals (CA) affirms the RTC decision on August 16, 2006.
- Motion for Reconsideration:** Far East Bank files for reconsideration, which is denied by the CA on November 15, 2006.

Issues:

- Ownership at Time of Attachment:** Whether SMP, Inc. retained ownership of the

goods at the time of the attachment or whether ownership was already transferred to Clothespak.

2. **Nature of Contract:** Whether the agreement between SMP, Inc. and Clothespak constituted a contract of sale or a contract to sell.

3. **Admissibility of Evidence:** Whether the provisional receipt issued by SMP, Inc. to Clothespak is admissible as evidence given that it was a triplicate copy.

Court's Decision:

1. **Ownership at Time of Attachment:** The Supreme Court upheld the RTC and CA's finding that SMP, Inc. retained ownership of the goods at the time of attachment. The court ruled that ownership was reserved for SMP, Inc. until the checks issued by Clothespak cleared.

2. **Nature of Contract:** The Court concluded that the transaction was a contract to sell, under which ownership remains with the vendor until full payment of the purchase price, as stipulated by SMP, Inc.'s provisional receipt indicating "Materials belong to SMP Inc. until your checks clear."

3. **Admissibility of Evidence:** The Court held that the triplicate copy of the provisional receipt presented by SMP, Inc. was admissible. Under Section 4, Rule 130 of the Rules of Court, documents executed at or about the same time with identical contents are regarded as originals, thus upholding the receipt submitted by SMP, Inc.

Doctrine:

1. **Contract to Sell vs. Contract of Sale:** Established distinction where in a contract to sell, ownership is reserved by the vendor until full payment is made. Ownership passes in a contract of sale upon delivery, regardless of payment status (Article 1478, Civil Code).

2. **Best Evidence Rule:** If a document has multiple copies executed at the same time, all such copies are regarded as originals (Section 4, Rule 130 of the Rules of Court).

Class Notes:

- **Elements of Contract to Sell:**

- Ownership remains with the vendor until full payment is made.
- Non-payment is a suspensive condition preventing the transfer of ownership.

- **Contract of Sale:**
- Title passes upon delivery.
- Non-payment is a resolutive condition but does not affect the transfer of ownership (Article 1478, Civil Code).

- **Best Evidence Rule:** Hierarchical preference for the original document unless exceptions apply (Section 3 and 4, Rule 130 of the Rules of Court).

Historical Background:

The case reflects the complexities in commercial transactions and the nuances between different forms of contractual agreements in the Philippine legal context post-1990s. The emphasis on distinguishing between a “contract to sell” and a “contract of sale” ensures protection of vendor rights in financial transactions, especially when payment security is involved. It also underscores the procedural rigors set forth by the judiciary to uphold evidentiary standards, aligning with evolving commercial practices and financial instruments during that period.