

Title:

Toyota Shaw, Inc. vs. Court of Appeals and Luna L. Sosa

Facts:

- **June 1989**: Luna L. Sosa sought to purchase a Toyota Lite Ace amidst a seller's market. Toyota Shaw, Inc. (Toyota) confirmed availability.
- **14 June 1989**: Sosa and his son Gilbert visited Toyota's showroom and met sales representative Popong Bernardo. Sosa emphasized needing the vehicle by 17 June for a trip on 18 June. Bernardo assured Sosa the vehicle would be ready at 10 a.m. on 17 June. Bernardo signed a document titled "Agreements Between Mr. Sosa & Popong Bernardo of Toyota Shaw, Inc." outlining this arrangement.
- **15 June 1989**: Sosa paid a P100,000 downpayment. Bernardo processed a Vehicle Sales Proposal (VSP) showing installment payment via B.A. Finance.
- **17 June 1989, 9:30 a.m.**: Bernardo called Gilbert to reschedule vehicle pickup from 10 a.m. to 2 p.m.
- **17 June 1989, 2:00 p.m.**: After waiting an hour, Sosa was informed the vehicle could not be delivered due to it being sold to another buyer. Toyota claimed non-delivery was due to B.A. Finance not approving Sosa's credit application.
- **20 November 1989**: Sosa filed a complaint for damages in Marinduque's RTC, alleging moral damages due to embarrassment and inconvenience.

Procedural Posture:

- **Regional Trial Court (RTC) Ruling**: The RTC found Exhibit "A" to be a valid contract of sale binding Toyota, awarded Sosa damages.
- **Court of Appeals**: Affirmed RTC's decision in toto.
- **Supreme Court**: Petition for review filed by Toyota contesting the lower courts' rulings.

Issues:

1. Whether Exhibit "A" constituted a perfected contract of sale binding Toyota.
2. Whether the VSP or Exhibit "A" represented the true understanding between the parties.
3. Whether Sosa had a legal and demandable right to vehicle delivery despite non-approval of his credit application.
4. Whether Toyota acted in good faith in not releasing the vehicle.
5. Whether Toyota was liable for damages.

Court's Decision:

- ****On the Nature of Exhibit "A"**:
 - Exhibit "A" was not a perfected contract of sale since it lacked mutual obligations (Article 1458 and 1475 of the Civil Code) and specific price modalities.
 - It constituted merely an initial negotiation, and not all essential terms of the sale were agreed upon.**
- ****Effect of Non-Approval by B.A. Finance****:
 - The absence of meeting minds due to B.A. Finance's disapproval meant no legally binding commitment existed.
 - The VSP being a mere proposal invalidated any demand for the vehicle's delivery.**
- ****Authority of Bernardo****:
 - Sosa should have verified Bernardo's authority, recognizing him as only an agent.**
- ****On Moral and Exemplary Damages****:
 - The claim for moral damages due to embarrassment from non-delivery is deemed unwarranted.
 - No basis for exemplary damages exists absent moral, temperate, or compensatory damages.
 - The award for attorney's fees was similarly unfounded due to lack of statutory basis.**

Doctrine:

- A definitive agreement on the manner of payment is essential for a binding sale contract.
- A person dealing with an agent must ascertain the agent's authority at their peril.
- For contracts involving financing, approval by the financing company is crucial for perfection of the sale.

Class Notes:

- ****Contract of Sale (Article 1458, Civil Code)**: Obligations to deliver and to pay a price certain.**
- ****Perfection of Sale (Art. 1475, Civil Code)**: Requires agreement on both object and price.**
- ****Agent's Authority****: Responsibility lies with the third party to verify the scope of the agent's power (Article 1911, Civil Code).
- ****Damages (Article 2220, Civil Code)**: Claims for moral damages require a direct act of bad faith or gross mistake; public embarrassment does not suffice.**

Historical Background:

Contextualized within the Philippine legal sense of contract negotiations, the case reflects typical issues involving dealership agreements and third-party financing. It underscores the legal principles surrounding obligations, agency, and the process of bringing cases to fore when personal and commercial interests clash.