

Title: Manuel Ong v. Spouses Rowelito and Amelita Villorente

Facts:

- Transaction Initiation (1991-1993):** Manuel Ong, a textile and clothing materials seller, sold garments materials worth P1,500,000 to Spouses Rowelito and Amelita Villorente, ready-to-wear garments contractors, between 1991 and 1993.
- Issuance and Dishonoring of Checks:** As payment, the Villorentes issued checks totaling P420,000 drawn from PCIB, Metrobank, and UCPB. These checks were subsequently dishonored due to "Account Closed."
- First Promissory Note (July 8, 1997):** The Villorentes executed a promissory note acknowledging their debt of P1,500,000 and promised payment terms by December 1997. However, they failed to fulfill this obligation.
- Second Promissory Note (April 2, 2001):** Another promissory note admitted the debt with a payment proposal of P5,000 to P10,000 monthly installments.
- Formal Demand (March 17, 2004):** Ong sent a formal demand, unheeded by the Villorentes, prompting a lawsuit for sum of money including a prayer for a writ of preliminary attachment.
- Litigation Initiation (Civil Case No. Q-04-54398):** Ong filed a complaint in Regional Trial Court (RTC) of Quezon City, alleging breach of contract and claiming P420,000 plus legal interest and attorney's fees.
- Defense by the Villorentes:** They claimed that either their obligations were settled or it was impeded by statute of limitations or frauds, also asserting that court jurisdiction didn't apply due to non-receipt of the demand letter.
- RTC Ruling (August 20, 2018):** The RTC ruled in favor of Ong, ordering the Villorentes to pay the sum of P420,000 with accrued interest, attorney's fees, sheriff's fees, and other litigation costs. It emphasized their failure to show evidence of debt payment.
- Appeal to CA:** The Villorentes appealed, and the Court of Appeals (CA) reversed the RTC's decision, stating insufficient proof of a valid sales contract and dismissed Ong's complaint.
- Petition to Supreme Court:** Ong filed a petition for certiorari under Rule 45,

contesting the CA's decision.

****Issues:****

1. ****Existence and Proof of Contract of Sale:**** Whether the sales transaction and the resultant obligations were sufficiently proven by Ong through checks, promissory notes, and the Villorentes' admissions.
2. ****Legal Effects of the Dishonored Checks:**** Whether dishonored checks and their intrinsic evidentiary value can substantiate Ong's claim and the Villorentes' liability.
3. ****Jurisdictional and Procedural Contentions:**** Validity of the Villorentes' defenses regarding the statute of frauds and jurisdiction due to alleged non-receipt of the demand.

****Court's Decision:****

1. ****Resolution of Contract of Sale and Obligations:****
 - The Supreme Court found a preponderance of evidence supporting the existence of a sales transaction and the ongoing obligation by the Villorentes to Ong. It validated the checks, promissory notes, and preceded communications as credible evidence, establishing contractual dealings and liabilities despite the absence of a formal sales contract.
2. ****Dishonored Checks as Evidence of Obligation:****
 - The court emphasized that checks presented by Ong served as veritable evidence of indebtedness, which the Villorentes were unable to effectively dispute. Hence, the dishonored checks substantiated Ong's financial claim against them.
3. ****Final Ruling:****
 - The Supreme Court reversed the CA decision, reinstating the RTC's directives on financial liability, including principal sum, interest modifications pursuant to *Nacar v. Gallery Frames*, and attorney's fees. It clarified interest accrual periods as governed by prevailing rates.

****Doctrine:****

- A check can be used as reliable evidence of indebtedness. Its authenticity and genuineness are presumed unless effectively countered.
- The absence of a formal contract or written agreement does not negate the enforceability of an obligation where transactional acts and admissions substantiate the debt.

****Class Notes:****

- **Contract of Sale (Art. 1458, Civil Code):** Defined by a reciprocal obligation to transfer ownership and pay the price.
- **Promissory Notes:** Acknowledgment of debt and commitment to payment terms.
- **Negotiable Instruments Law (Related to BP 22):** Checks, their dishonor, and statutory implications.
- **Evidence and Preponderance Standard:** Burden of proof lies on the claimant to establish, by credible evidence, allegations of indebtedness in civil proceedings.

Historical Background:

This case elucidates the importance of documentary evidence (checks and promissory notes) and oral indulgences (acknowledgement of debts) in validating commercial transactions in Philippine jurisprudence, especially where formal written contracts are absent. Such legal debates emphasize the courts' interpretations in harmonizing acts of commerce under national contractual and negotiable instruments statutes.