

Title:

Diosa Arrivas vs. Manuela Bacotoc, G.R. No. 01596, May 26, 2016

Facts:

1. **Initial Transaction**: On July 23, 2003, Diosa Arrivas received a men's ring with diamonds valued at Php75,000.00 from Manuela Bacotoc under a trust receipt agreement. Arrivas' obligation was to sell the ring and remit the proceeds or return the ring within two days.
2. **Execution of Trust Receipt**: A trust receipt was signed detailing the terms, including the prohibition against sub-agents, responsibility for the item's safekeeping, and a two-day return period if unsold.
3. **Failure to Return or Pay**: After two days, Arrivas did neither return the ring nor remit its payment. Bacotoc made efforts to locate Arrivas and finally met her two weeks later.
4. **Extended Promises**: Arrivas promised to pay within thirty days, which lapsed without payment. She later pleaded for installment payments for the ring's price and her old accounts, to which Bacotoc agreed but received no payment.
5. **Demand Letter**: A demand letter was sent on November 3, 2004, received by Arrivas on November 5, 2004. Arrivas promised again to pay in installments but failed to comply.
6. **Partial Payment Claim**: Arrivas claimed to have paid Php20,000.00 on August 8, 2003, prior to Bacotoc's complaint, and claimed further payments were made afterward.
7. **Trial and Conviction**: The Regional Trial Court (RTC) convicted Arrivas of Estafa under Article 315, paragraph 1(b) of the Revised Penal Code, imposing an indeterminate penalty of six months and one day as minimum to six years and one day as maximum, and ordered indemnification to Bacotoc.

Issues:

1. **Whether the Php20,000.00 payment converted the trust relationship into a debtor-creditor relationship.**
2. **Whether there was a novation of the principal obligation of trust.**

Court's Decision:

1. **On Conversion of Relationship**: The Supreme Court ruled that the trust relationship was not converted into a debtor-creditor relationship by the Php20,000.00 payment. The partial payment did not negate the fiduciary obligation to return the ring or its proceeds. The failure to return the ring or remit the entire proceeds even after demand constituted Estafa.

2. **On Novation**: The Court held that novation requires clear and unequivocal evidence of substituting the obligation with a new one, incompatible with the original. The petitioner failed to prove unequivocal terms of novation. The Court emphasized that novation is never presumed and must be proven.

Overall Ruling: The petition was denied, affirming the CA's decision but modifying the penalty to an indeterminate term of two (2) months and one (1) day of *arresto mayor* as minimum, to one (1) year and one (1) day of *prision correccional* as maximum. A 6% per annum interest on the damages was imposed from the decision's finality until fully paid.

Doctrine:

- **Estafa under Article 315, para. 1(b) RPC**: Requires receipt of property in trust, misappropriation or conversion, prejudice to another, and demand for the property. Failure to account upon demand is circumstantial evidence of misappropriation.
- **Novation (Article 1292, Civil Code)**: Novation must be expressly or clearly incompatible with the original obligation. It is never presumed and needs clear proof that both parties agreed to substitute the initial obligation.

Class Notes:

- **Estafa Elements**:
 1. Receipt of personal property in trust or under an obligation.
 2. Misappropriation or conversion of the property.
 3. Prejudice to another.
 4. Demand by the offended party.

Key Legal Provisions:

- **Article 315, para. 1(b), Revised Penal Code**: Addresses the crime of Estafa.
- **Article 1292, Civil Code**: Conditions for novation of obligations.
- **Application**: The presence of a trust receipt evidenced the initial trust relationship. Failure to remit proceeds and attempts at delayed payments indicated misappropriation.

Historical Background:

This case reflects judicial consistency in handling trust receipts and fiduciary obligations to prevent misappropriation of entrusted properties. The reaffirmation and adaptation of penalties to more recent standards showcase the dynamic nature of judicial practices to new legislative changes under RA No. 10951.

Summary:

This case reiterates the strict evidentiary burdens in establishing novation and underscores the serious penalties for Estafa under fiduciary breaches, reflecting evolving judicial measures to align with updated penal standards.