FILOIL MARKETING CORPORATION (NOW PETROPHIL CORPORATION), PLAINTIFF/APPELLEE, VS. DY PAC & CO., INC., DEFENDANT/APPELLANT.

G.R. No. L-40307. April 15, 1988

Ponente: FELICIANO, J.

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FELICIANO, J.:

This case was certified to us by the Court of Appeals in its Resolution dated 20 February 1975, as one raising only questions of law.

On 19 March 1969, an action for collection of a sum of money with interest was commenced by plaintiff Filoil Marketing Corporation (now Petrophil Corporation) in the City Court of Manila against defendant Dy Pac & Co., Inc., alleging that from 1961 to 1965, plaintiff had sold and delivered on credit petroleum products to defendant, who became indebted to it in the total amount of P2,123.69; that notwithstanding repeated demands, defendant refused to pay.

In its Answer with Counterclaim, defendant Dy Pac & Co., Inc., admitted the credit transactions alleged by plaintiff but denied indebtedness, alleging lack of cause of action, payment and prescription.

At the hearing set on 17 June 1969, neither defendant nor his counsel appeared; plaintiff was allowed to present its evidence ex parte, and accordingly, the City Court of Manila, Branch 3, rendered a decision on the same date ordering defendant to pay plaintiff the sum of P2,123.69 plus 6% interest thereon, attorney's fees and costs.

Upon denial of its motion for reconsideration, defendant appealed to the Court of First Instance of Manila, which appeal was subsequently assigned to Branch 19 thereof.

By 30 January 1973, the lower court, in accordance with Republic Act No. 6031[1], immediately set the case for pre-trial, with a warning that no further postponements would be granted.

On 23 March 1973, the lower court issued a pre-trial order, the full text of which follows:

> "When this case was called for pre-trial, the parties were duly represented by their respective counsel. Filoil Marketing was represented also by Mr. Rodolfo Bondoc, Accountant. Counsel for defendant manifested that he is duly authorized to enter into this pre-trial and promises to submit said authority within three (3) days from today, as required by the Rules, otherwise, the Court will not recognize his authority for pre-trial. The plaintiff duly adopted his exhibits already marked in the lower court and also adopted the markings in said court. In addition, he asked that the decision in the City Court, found on page 17 of the records, be marked as Exhibits 'F' and that the letter addressed to the defendant dated February 7, 1968 be marked as Exhibit 'G' to 'G-7'. These were all admitted by the defendant.
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> "Defendant presented as its exhibits, Exhibit '1', a cash voucher dated February 16, 1965, which was admitted by the plaintiff; Exhibits '2' and '3', letters of defendant Filoil Marketing Corporation, both of which were also admitted by the plaintiff.

> "The Court finds that this is just a matter of adjustment of accounts by the plaintiff and the defendant, who are hereby ordered to prepare a stipulation of facts based on their exhibits already marked and submit the same to the Court within thirty (30) days from today. It is also ordered that in the stipulation of facts, the parties define the issues to be resolved by the Court and if they are submitting the case for decision on the basis of their exhibits. The parties are warned that if they cannot submit the stipulation of facts, the Court will dismiss the appeal, the case having been filed on August 14, 1969 and up to the present no trial has been conducted."[2] (Underscoring supplied)

In a subsequent Order dated 24 May 1973, the trial court dismissed defendant's appeal for failure of the parties to submit the required stipulation of facts and ordered the immediate return of the records to the City Court for execution.

A subsequent motion to reconsider the order of dismissal having been denied, defendant-appellant took this appeal to the Court of Appeals, which, as already noted, certified the case to us as involving only questions of law. This case, without an appellee's brief, was submitted for decision on 17 March 1975.

Appellant claimed, in its brief, that it was deprived of its day in court and urged that the trial court erred (a) in dismissing its appeal on the ground that the parties failed to submit a stipulation of facts and (b) in finding that defendant's counsel had not filed his authority to appear during pre-trial.[3]

We find merit in this appeal.

There is no law which compulsorily requires litigants to stipulate at pre-trial on the facts and issues that may possibly crop up in a particular case, upon pain of dismissal of such case. The process of securing admissions whether of facts or evidence is essentially voluntary, since stipulations of facts, like contracts, bind the parties thereto who are not allowed to controvert statements made therein. The trial court may, of course, advise and indeed urge the parties during the pre-trial conference to try to arrive at a stipulation of facts principally for their own convenience and to simplify subsequent proceedings by identifying those facts which are not really controverted and do not need to be proved. Courts, however, cannot compel the parties to enter into an agreement upon the facts. Where the parties are unable to arrive at a stipulation of agreed facts and do not reach an amicable settlement of their controversy, the court must close the pre-trial proceedings and go forward with the trial of the case. The court a quo, therefore, committed serious or reversible error in dismissing appellant's appeal from the then City Court of Manila solely upon the ground that the parties had failed to comply with the court's Order to submit a stipulation of facts. The trial court's desire speedily to dispose of the case which had been pending for almost four (4) years in that sala is understandable and praiseworthy; but it cannot justify the Order of dismissal. Defendant's appeal from the decision of the City Court of Manila was entitled to a regular trial; under Section 45 of Republic Act No. 296 (the Judiciary Act of 1948) as amended by Republic Act No. 6031, the defendant-appellant was entitled to have its affirmative defenses and counterclaim passed upon by the Court of First Instance in a trial de novo. It is perhaps noteworthy that defendant-appellant had never been afforded the benefit of a trial, even by the City Court which had rendered its judgment on the evidence of the plaintiff submitted ex parte. We hold that the trial court’s Order of 24 May 1973 in effect denied defendant-appellant its right to due process and must hence be set aside.

Under Section 33 (1) of B.P. Blg. 129, a suit for the collection of a sum of money not exceeding P20,000.00 would fall within the exclusive original jurisdiction of the Metropolitan Trial Courts, Municipal Trial Courts and the Municipal Circuit Trial Courts. This case, however, was pending before the Court of First Instance of Manila on 14 February 1983, while this appeal remained before this Court where it has been since 17 March 1975.

Applying the Resolution of this Court en banc dated 14 February 1983, which established guidelines for the

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distribution of cases pending upon implementation of B.P. Blg. 129 and which provided in pertinent part as follows:

"I. PENDING CASES AS OF FEBRUARY 14, 1983:
General Rule. - All pending cases as of February 14, 1983 shall be distributed, by raffle, among all branches in a multiple sala seat with incumbent judges except as herein provided;

x x x x x x x x x
3. All pending cases in the Regional Trial Courts (under the former Judiciary Act, the Courts of First Instance, Circuit Criminal Courts, Juvenile and Domestic Relations Court and Court of Agrarian Relations) shall remain with the Regional Trial Courts even though there may have been a change of jurisdiction provided in Batas Pambansa Blg. 129.

By way of example:

a. Cases in the Regional Trial Courts where the amount involved is above P10,000.00 up to P20,000.00 exclusive of interest and costs shall remain therein even though the jurisdiction of the Metropolitan Trial Courts, the Municipal Trial Courts, and Municipal Circuit Trial Court has been increased to P20,000.00;

x x x x x x x x x" (Italics supplied)
this case should remain with and be remanded to the Court of First Instance of Manila.

ACCORDINGLY, the Order dated 24 May 1973 of the Court of First Instance of Manila, dismissing the appeal of defendant-appellant, is hereby SET ASIDE. This case is REMANDED to the Regional Trial Court of Manila for trial on the merits. No pronouncement as to costs.

SO ORDERED.

Fernan, (Chairman), Gutierrez, Jr., Bidin, and Cortes, JJ., concur.

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[1] An act amending the Judiciary Act of 1948, which provided, among others, for the conversion of municipal and city courts into courts of record and which required that cases decided by them before they became courts of record, shall proceed, on appeal to the Court of First Instance, by trial de novo. Text in 66 Official Gazette, p. 3657 (13 April 1970).

[2] Record on Appeal, pp. 27-28.

[3] Appellant's Brief, p. 9. As defendant's counsel pointed out, his authority to appear had in fact been submitted (id, p. 11) and there appears no need to refer to this point at all.

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