

LA SUERTE CIGAR & CIGARETTE FACTORY, PLAINTIFF, VS. CENTRAL AZUCARERA DEL DANA, ET AL., DEFENDANTS. CENTRAL AZUCARERA DEL DANA, THIRD-PARTY PLAINTIFF-APPELLANT, VS. TALISAY-SI...

G.R. No. L-23017. May 23, 1968

Ponente: CASTRO, J.

Read online (full-text search, related cases, audio case brief): <https://batas.org/library/1afdb51d374e/>

CASTRO, J.:

This appeal from an order of the Court of First Instance of Negros Occidental dismissing a third-party complaint was certified to us by the Court of Appeals.

The basic question tendered for resolution is whether the third-party complaint states a cause of action.

A concise narration of the essential antecedent events is contained in the resolution of the Court of Appeals of May 19, 1984, as follows:

"On January 23, 1962, the La Suerte Cigar and Cigarette Factory filed an action for a sum of money, allegedly representing the value of cigarettes purchased on credit from it, before the of Court First Instance of Negros Occidental against the Central Azucarera del Danao, the Talisay-Silay Milling Company, Inc. and J. Amado Araneta. Upon motion by the defendants J. Amado Araneta and Talisay-Silay Milling Company, Inc., the complaint was dismissed against them, thereby leaving the Central Azucarera del Danao the sole defendant.

"On June 15, 1962, the Central Azucarera del Danao turned against the two discharged defendants by filing a third-party complaint against them. Upon motion of the two third-party defendants the third-party complaint was also dismissed for lack of a sufficient cause of action. Hence, this appeal."

Liability for payment of the amount claimed by the plaintiff La Suerte Cigar and Cigarette Factory from the Central Azucarera del Danao (hereinafter referred to as the Central) is sought to be shifted by the latter to the third-party defendants Talisay-Silay Milling Co., Inc. and J. Amado Araneta by the following allegations of the third-party complaint

"4. That a complaint was filed in this case by plaintiff La Suerte Cigar & Cigarette Factory where-in it is prayed, among other thing that the defendant be to pay said plaintiff the sum of P8,164.00, plus 12% thereof per annum as interest from August 10, 1954, allegedly representing the value of several kinds of cigarettes delivered to the defendant during the period from August 10, 1954, to November 25, 1955; it is also prayed in the complaint that said defendant be ordered to pay the same plaintiff the amount of P2,000.00 as damages, another P2,000.00 as attorney's fees and costs. A copy of this complaint is hereto marked Annex 'A' thereof;

"5. That when the cigarettes referred to in the complaint Annex 'A' were allegedly delivered to the third-party plaintiff, about 95% of the shares of stock of said central were owned by the third-party defendant Talisay-Silay Milling Co., Inc., and the majority of stock of the latter corporation was in turn owned by the third-party de-fendant J. Amado Araneta;

"6. That on March 3, 1960 an agreement was entered into by and among the Philippine National Bank, the Talisay-Silay Milling Co. Inc. and the Central Azucarera del Danao by virtue of which and in consideration of the sums of money mentioned in the agreement, the Philippine National Bank acquired from the herein third-party defendant Talisay-Silay all its shares of stock in the Central Azucarera del Danao. Copy of this agreement is hereto attached marked Annex 'B';

"7. That among other things, it was agreed in the agreement Annex 'B' [paragraph 9]:

'That all obligations of Central Azucarera del Danao incurred before the date of this Agreement but not those incurred by the BANK during the period when the Central Azucarers del Danao was under the Management of the Bank, in favor of trade creditors for supplies, equipment, fuel and spare parts, outstanding in the books of Danao shall be listed and itemized, and only such items as are approved and acknowledged by the BANK shall be considered as legitimately incurred and due for payment by Danao.'

"8. That in paragraph 10 of the same agreement Annex 'B', it was further stipulated:

'That any or all obligations purporting to be [those of] Central Azucarera del Danao but not appearing [in] the books thereof nor acknowledge as in paragraph 9 above [shall] be borne and paid for by Talisay-Silay Central and/or Mr. J. Amado Araneta.'

"9. That the sum of P8,164,00 claimed in the complaint Annex 'A' has never been approved nor acknowledged for payment by the Philippine National Bank nor by the third-party plaintiff in accordance with the above-copied provisions of the agreement Annex 'B' hereof, so payment of said amount, and of the other sums of money claimed in the complaint Annex 'A' remained to be the obligation of the third-party defendants, Talisay-Silay Milling Co., Inc. and/or Amado Araneta;

"10. That inspite of repeated demand's made by the plaintiff and third-party plaintiff upon the third-party defendants, the latter have re-fused and until now refuse to pay said amounts claimed in the complaint; * * *"

Attacking the sufficiency of the third-party complaint the third-party defendants maintain that under the above-cited paragraph 9 of the agreement (annex B), their liability for the obligations incurred by the Central prior to the date of the said agreement that is, before March 3, 1960, attach only when it appears that the said obligations are outstanding in the books of the Central and the same have been listed and itemized but have not been approved and acknowledged by the Philippine National Bank. Rebutting this argument, the Central argues that all that is necessary to hold the third-party defendants liable is the allegation that the said ac-counts have not been acknowledged and approved by the Philippine National Bank. It further posits that the foregoing contention of the third-party defendants is a matter of defense which need not be alleged nor anticipated in the third-party complaint. Curiously, both parties anchored their respective positions only on paragraph 9 of the agreement.

The court a quo, as previously stated, sustained the position of the third-party defendants and accordingly dismissed the third-party complaint for failure to state a cause of action.

Upon a careful analysis of the above-quoted paragraph 9 and 10 of the agreement, it is our view that both parties are equally mistaken in so far as they invoke only paragraph 9 in support of their respective contentions, and that paragraph 10 of the agreement is likewise determinative of the issue in this case.

Under paragraph 9, (1) all obligations of the Central incurred before the date of the agreement in favor of trade creditors for supplies, equipment, fuel and spare parts which are (a) outstanding in the books of the Central, (b) listed and itemized, and (c) approved and acknowledged by the Philippine National Bank, shall be paid by the Central; and (2) all obligations incurred by the Central during the period when it was under management by the Philippine National Bank shall be paid by the latter. Under paragraph 10, all obligations incurred before the date

of the agreement and purporting to be those of the Central but not appearing in the book thereof nor acknowledged as in paragraph 9 above shall be borne and paid for by the Talisay-Silay Milling Co., Inc. and/or by J. Amado Araneta.

Verily, an allegation that the obligations are outstanding in the books of the Central and the same are listed and itemized is necessary to charge liability against the Central not against the third-party defendants. On the other hand, the absence of the foregoing circumstances--appearance in the book listing and itemization--shall cause the Talisay-Silay Co., Inc. and/or J. Amado Araneta to be liable.

It is to be assumed that the foregoing arrangement was made because if the obligations incurred before the date of the agreement do not appear in the books of the Central, then the Philippine National Bank, which subsequently took over control of the said Central, could not be expected to know and later approve and acknowledge such obligations. Such obligations must be assumed by the Talisay-Silay Milling Co., Inc., the former owner of the controlling interest in the Central, and/or J. Amado Araneta, president of the Central and the Talisay-Silay Milling Co., Inc., who represented the two corporations in the agreement, unless of course, the Philippine National Bank chose to approve and acknowledge such obligations.

Hence, the third-party complaint is not necessarily defective for failure to allege that the obligation in question is outstanding in the books of the Central and the same has been listed and itemized. Such a positive allegation could in fact negative the liability of the third-party defendants.

Nevertheless, the third-party complaint is fatally insufficient for failure to aver that the obligation which is the subject of the plaintiff's claim does not appear in the books of the Central, even if it does allege that the obligation in question "has never been approved nor acknowledged for payment by the Philippine National Bank." Because and on the basis of this omission, we upheld the order of dismissal on the same ground - failure to state a cause of action.

The test of the legal sufficiency of the facts alleged in the complaint to constitute a cause of action, is whether or not, admitting the facts alleged, the court could render a valid judgment upon the same in accordance with the prayer of the complaint.[1] Obviously, the third-party complaint in dispute fails this test. Even if the truth of the facts alleged in the third-party complaint were admitted, the failure to allege that the obligation in question does not appear in the books of the Central is a fatal omission. Liability of the third-party defendants arises from and is defined by the above-mentioned agreement. Consequently, the essential conditions stipulated in the said agreement which would give rise to such liability must be alleged. Otherwise, no cause of action would accrue and no valid judgment could be rendered.

To recapitulate, the third-party complaint would have stated a cause of action (1) if it had averred not only that the obligation in question was not approved or acknowledged by the Philippine National Bank but as well that it is outstanding in the books of the Central and is listed and itemized; or, in the alternative, (2) if it had alleged that the obligation purports to be one of the Central but does not appear in the books thereof.

ACCORDINGLY, the order of October 1, 1962 is affirmed, without prejudice to the filing of another action in accordance with law. No pronouncement as to costs.

Concepcion, C.J., Reyes, J.B.L., Dizon, Makalintal, Zaldivar, Sanchez, and Angeles, JJ., concur.

[1] Paminsan vs. Costales, 28 Phil. 487; Blay vs. Batangas Trans. Co., 80 Phil., 373; De Jesus, et al. vs. Belarmino, et al., 95 Phil. 365; Wise and Co. vs. City of Manila, 101 Phil., 244; Valencia, et al. vs. Layug, et al., 103 Phil., 747

ABOUT BATAS.ORG

Study smarter at BATAS.org

The Philippine bar review and law-school companion built around how your brain actually remembers.

The complete Philippine law library - free for everyone.

More than 100,000 Supreme Court decisions, Republic Acts, and executive issuances - full-text searchable, browsable by category and year, and always free. No paywall, no login. This PDF came from it.

Audio case-brief lectures.

Any decision becomes a podcast-style lecture - facts, issues, ruling, and doctrine - with read-along highlighting and a hands-free presentation mode. Study while commuting, working out, or resting your eyes.

Bar review built on the science of memory.

Complete, sequenced courses for all eight bar subjects, narrated like podcasts and reinforced with retrieval practice and spaced review - the study techniques with the strongest evidence behind them.

The full law-school curriculum.

One subscription unlocks the entire J.D. curriculum - every subject, every lesson, with your progress tracked down to the paragraph so you can pick up exactly where you left off, on any device.

Mock exams that tell you where you stand.

Timed multiple-choice exams graded instantly, with per-subject score breakdowns and focus suggestions that point you at your weakest topics first.

A study planner that keeps you on pace.

Set your schedule and BATAS tells you every day whether you are on track for bar day - and exactly which lesson to take next.

Start free at <https://batas.org>

The law library is free forever - and your first lesson is one click away.

The text of this document is an official public record and remains in the public domain. Formatting, presentation, and compilation © 2026 batas.org.

Downloaded free from the batas.org Law Library. Share it freely - the library is free for every law student, bar reviewee, and practitioner.