

NEW WORLD RENAISSANCE HOTEL, PLAINTIFF-APPELLEE, VS. MORNING STAR TRAVEL AND TOURS, INC., BENNY H. WONG, IN HIS CAPACITY AS PRESIDENT, AND ESTELITA CO WONG, IN HER CAPACITY AS M...

CV. No. 92370, September 29, 2010

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Court of Appeals

This appeal assails the Decision[1] of the Regional Trial Court (RTC), National Capital Judicial Region, Br. 59, Makati City, granting the complaint for collection of sum of money with damages in Civil Case No. 04-454.

The Facts:

In 1995, New World Renaissance Hotel[2] (New World) approved a company credit line for a credit limit Fifty Thousand Pesos (PhP50,000.00) in favor of Morning Star Travel and Tours, Inc.[3] (Morning Star) pursuant to an application therefor signed by Benny H. Wong, then Managing Director of Morning Star. Pursuant thereto, it billeted and reserved hotel rooms for, as well as provided hostelry services to, Morning Star's tourist customers and guest.[4]

The Controversy:

On April 21, 2004, New World filed the suit below against Morning Star and the spouses Benny H. Wong and Estelita Co Wong (Wong Spouses), the President and the Managing Director of Morning Star, respectively. It avers that, from 2002 to 2003, the hotel accommodations that it extended to Morning Star's guests exceeded the credit limit and reached the amount of One Million One Hundred Eleven Thousand Eight Hundred Eighty-Four Pesos and Thirty-Eight Centavos (PhP1,111.884.38).[5] Alleging that the obligation has long become due and demandable but was not paid by Morning Star despite of its numerous demands, it prays that Morning Star and the Wong Spouses be ordered to jointly and severally pay the debt, the interest thereon, and penalty charges, as well as to be held to be liable for damages.

In their joint Answer[6], Morning Star and the Wong Spouses admit their respective personal circumstance but deny that the Wong Spouses ever applied or negotiated with New World for any credit account in their personal capacities or that the spouses bound themselves for any liability relative to hostelry services and accommodations extended to Morning Star. They also deny that the spouses have any knowledge or information relative to New World's allegation that Morning Star is indebted to it. Claiming that the Wong Spouses have personalities separate and distinct from Morning Star despite of their being officers of the latter they maintain that the spouses cannot be held jointly and severally liable with the latter's debts.

Morning Star and the Wong Spouses aver that Morning Star is in a financial distress and, as such, has numerous outstanding debts which shall be paid only in the event that Morning Star succeeds in collecting from its own debtors. They assert that, assuming New World's claim that Morning Star is indebted to it is true, Morning Star's inability to pay is due to unforeseen causes and factors; and that New World cannot anymore collect from them because, contrary to their agreement, New World did not suspend Morning Star's account despite that its debt

already exceeded the credit limit agreed upon. Hence, they pray that the complaint be dismissed. By way of counterclaim, they contend that New World's act of impleading the Wong Spouses as defendants despite knowledge that they cannot be jointly and severally liable for Morning Star's indebtedness, if any entitles the spouses to an award for damages.

After the issues were joined, the case was set for pre-trial. However, no amicable settlement was reached thereat. Thus, a full blown trial followed.

On June 30, 2008, the RTC rendered the assailed issuance, the decretal portion of which reads:

WHEREFORE, premises considered, judgment is hereby rendered ordering defendants to pay plaintiff the sum of One Million Hundred Eleven Thousand Eight Hundred Eighty-Four and 38/100, [PhP1,111,884.38] Pesos with legal interest computed from the time the instant complaint was filed plus attorney's fees in the amount of PhP100,000.00.

So ORDERED.[7]

Dissatisfied, the Defendant-Appellants sought the present recourse.[8]

The Errors Assigned:

In assailing the RTC's disposition, the Defendants-Appellant posit that:

I.

THE LOWER COURT ERRED IN ORDERING DEFENDANTS TO PAY P1,111,884.38 (Exhibit 3) ARISING FROM A WRONG FINDING THAT "FOR EVERY BOOKING DEFENDANTS HAVE WITH THEM, DEFENDANTS AT FIRST OPENS A CREDIT LINE,(sic) THEN PLACE THEIR BOOKING ORDER WITH THE HOTEL. THEREAFTER, A WRITTEN CONTRACT IN THE FORM OF CREDIT LINE IS OPENED WITH RESPECT TO SAID TRANSACTION".

II.

THE LOWER COURT ERRED IN FINDING THAT "DEFENDANTS AGREED TO THE RIGHT OF PLAINTIFF(sic) TO COLLECT MONEY EVEN IN EXCESS OF THE CREDIT LIMIT GRANTED, HOLDING THEMSELVES SOLIDARILY LIABLE FOR ANY AND ALL AMOUNTS ARISING FROM THE COMPANY ACCOUNT AGREEMENT", EXACERBATED BY THE FINDINGS THAT "PLAINTIFF WAS ALSO ABLE TO PROVE THAT PLAINTIFF'S APPROVAL OF THE CREDIT APPLICATION OF THE DEFENDANTS WAS WITH THE EXPRESS CONFORMITY OF INDIVIDUAL DEFENDANT".

III.

THE LOWER COURT ERRED IN APPLYING IN AN OBVIOUSLY WRONG MANNER THE PROVISION OF ARTICLE 1159 OF THE NEW CIVIL CODE, WHICH MANDATES THAT "OBLIGATIONS ARISING FROM CONTRACTS HAVE THE FORCE OF LAW BETWEEN THE PARTIES AND SHOULD BE COMPLIED WITH IN GOOD FAITH. CONTRACTS ARE RESPECTED AS THE LAW BETWEEN THE CONTRACTING PARTIES AND [,] AS SUCH, THE PARTIES ARE THEREBY EXPECTED TO ABIDE WITH GOOD FAITH".

IV.

THE LOWER COURT ERRED IN FINDING THAT DEFENDANTS "HAS AN UNPAID OBLIGATION WITH PLAINTIFF AND THAT THE INDIVIDUALS DEFENDANTS, AS OFFICERS, ARE SOLIDARILY BOUND FOR ANY LIABILITY THAT MAY ARISE, AS IT DID AS A MATTER OF FACT".

V.

THE LOWER COURT ERRED IN AWARDING ATTORNEY'S FEES OF P 100,000.00 IN FAVOR OF PLAINTIFF.[9]

The Court's Ruling:

At the outset, it must be noted that the records are barren of any proof showing that Estelita Co Wong acted as a surety for Morning Star in the subject transaction or that she was a signatory in Morning Star's application for a company account in New World. Rather, it was only Benny Wong who signed the same who, in so doing, agreed to the stipulation therein that says, [i]t is understood that the officers of the applicant debtor who is authorized to sign for and on its behalf shall be jointly and severally liable with the (applicant debtor) for any and all amount and charges arising from this agreement[10]. In the absence, therefore, of any showing that Estelita Co Wong also agreed to be accountable for the debt of Morning Star, she cannot be held liable thereon. Perforce, the RTC erred in holding her jointly liable with Benny Wong and Morning Star for the debt.

Parenthetically and precisely because Benny Wong, as stated above, signed the application for a company account and agreed to be held jointly and severally liable with Morning Star, the hornbook law that corporate personality is a shield against personal liability of its officers finds no application.

Going now on other matters at hand, the issues raised may be summed up as to 1) whether Morning Star and Benny Wong are indebted to New World; 2) whether Morning Star and Benny Wong are liable for the debt, if any, despite of New World's failure to comply with the stipulation in the credit application that the credit line shall be automatically suspended should the credit exceeds the credit limit; and, 3) whether New World is entitled to damages and attorney's fees.

We RULE in the affirmative as to first two issues and negative as to the third.

The genuineness of the receipts[11] adduced by New World as evidenced of Morning Star's indebtedness is uncontested. Hence, there is no other conclusion but that New World was able to establish prima facie that Morning Star is liable to it in the amount of One Million One Hundred Eleven Thousand Eight Hundred Eighty-Four Pesos and Thirty-Eight Centavos (PhP1,111,884.38). Having done so, the burden of proof was shifted upon Morning Star to show that it had been discharged therefrom. Morning Star failed to meet its burden of proving payment.

We explicate.

Basic is the rule that once the plaintiff in a civil case makes out a prima facie case in his favor in the course of the trial, the burden of evidence shifts to the defendant; otherwise, a verdict will be in favor of the plaintiff. As enunciated by the High Court in *Royal Cargo Corporation v. DFS Sport Unlimited, Inc.*[12]:

* * * the settled rule is that one who pleads payment has the burden of proving it. Even where the creditor alleges non-payment, the general rule is that the onus rests on the debtor to prove payment, rather than on the creditor to prove non-payment. The debtor has the burden of showing with legal certainty that the obligation has been discharged by payment. Where the debtor introduced some evidence of payment, the burden of going forward with the evidence - as distinct from the general burden of proof - shifts to the creditor, who is then under a duty of producing some evidence to show non-payment. (Emphasis supplied)

At bench, the record is bereft of any evidence showing that Morning Star has paid its obligation to New World. In fact, its failure to deny the obligation in its Answer[13] coupled with its claimed therein that it is no longer liable for the debt because it is under financial distress, leads to no other conclusion but that its debt is still outstanding. Emphasis is, laid that obligations may be extinguished only in instances provided under Article 1231 of the New Civil Code, which states:

Art. 1231. Obligations are extinguished:

(1) By payment or performance;

- (2) By the loss of the thing due;
- (3) By condonation or remission of the debt;
- (4) By the confusion or merger of the rights of creditor and debtor;
- (5) By compensation;
- (6) By novation.

Other causes of extinguishment of obligation, such as annulment, rescission, fulfillment of a resolution condition, and prescription, are governed elsewhere in this Code.

From the foregoing, it is without doubt that financial distress is NOT an instance that will extinguish an obligation. Thus, even if Morning Star's claim of being under financial distress is true, it cannot use such ground to evade the payment of its obligation to New World.

Also not Obtaining is the assertion of Morning Star and of Benny Wong that they are not liable for the debt because New World did not comply with the stipulation in the letter approving Morning Star's credit application which stated that it (New World) would automatically suspend Morning Star's credit line should the same exceed Morning Star's credit limit.

We explain.

While it is true that a contract binds both parties and its validity or compliance cannot be left to the will of the one of them.[14] Morning Star and Benny Wong are still obliged to pay their obligation to New World despite the latter's failure to implement its "automatic suspension of credit" proviso for the simple reason that Morning Star did not object to such non-implementation and, instead, availed of it and had even previously made habitual payments despite the same.[15] Significantly, such non-payment implementation was not even raised as a defense by Morning Star in its Answer.[16] Quite obviously, it made a mountain out of such non-implementation in a belated attempt to evade its manifest obligation.

Moreover, the principle proscribing unjust enrichment, if not the parties' contract, would not allow Morning Star and Benny Wong to evade their liability. Niguno non deve enriquecerse tortizamente candaño de otro — no one shall unjustly enrich oneself at the expense of another. This principle in law is encapsulated in Article 22 of the Civil Code, which reads:

Art. 22. Every person who through an act of performance by another, or any other means, acquires or comes into possession of something at the expense of the latter without just or legal ground shall return the same to him.

As further explained by the Supreme Court in *chieng v. Santos, et al.*[17]:

* * * there is unjust enrichment when (1) a person is unjustly benefited, and (2) such benefit is derived at the expense of or with damages to another. The main objectives of the principle of unjust enrichment is to prevent one from enriching oneself at the expense of another. It is commonly accepted that this doctrine simply means that a person shall not be allowed to profit or enrich himself inequitably at another's expense. One condition for invoking this principle is that the aggrieved party has no other action based on contract, quasi-contract, crime, quasi-delict or any other provision of law.

The principle of unjust enrichment obliges the respondents to pay the remaining balance of the loan plus interest. Relieving the respondents of their obligation to pay the balance of the loan would, indeed, be to sanction unjust enrichment in favor of respondents and cause unjust poverty to petitioner. (Emphasis supplied)

At bench, there is no dispute that morning Star is indebted to New World. Likewise without doubt is the fact that the Natural tendency of a debtor when he receives a statement of his account would be to make the necessary payments therefore. Morning Star did not do so. Obviously, therefore, the RTC did not err in not allowing it to evade payments of its validly incurred debt for doing so would have resulted to unjust enrichment at the expense of New World.

Finally, Morning Star and Benny Wong question the One Hundred Thousand Peso(PhP100,000.00)-amount awarded to New World as attorney's fees. They maintain that the amount awarded is not only without basis and unreasonable but is also more than the Forty Thousand Peso(PhP40,000.00)-amount prayed for in the complaint.

We agree.

A scrutiny of the record shows that, indeed, New World only prayed for a Forty Thousand Peso(PhP40,000.00)-award as attorney's fees, while a reading of the assailed decision reveals that the RTC did not award the amount being claimed and, instead, awarded One Hundred Thousand Peso(PhP100,000.00). Also apparent from the assailed disposition is that the RTC did not justify why the amount it awarded far exceeds the amount claimed by New World.

Needless to stress, the general rule *allegata et probate*[18]—a judgment must conform to the pleadings and the theory of the action under which the case was tried — and the principle that a court cannot award an amount higher than what was claimed in the complaint,[19] cannot be overemphasized. For which reason, while We agree that New World is entitled to attorney's fees, We, nonetheless, cannot subscribe to the amount awarded by the RTC. Thus said, the attorney's fees awarded by the RTC must be reduced so as to correspond with the prayer in the complaint.

All told, We find no reason, apart from the amount of attorney's fees, to depart from the RTC's findings and its conclusions thereon, supported as they are by law and jurisprudence.

WHEREFORE, the appeal is denied with the modification that the amount of attorney's fees is reduced from One Hundred Thousand Pesos (PhP100,000.00) to Forty Thousand Pesos (PhP40,000.00). With costs.

SO ORDERED.

Tolentino and Lazaro-Javier, JJ., concur.

[1] Dated June 30, 2008; Rollo, pp. 17-21.

[2] A domestic corporation engaged in hotel business, with office and business address at Esperanza St., cor. Makati Ave., Makati City, Metro Manila; Complaint at 1; Record, p. 1.

[3] A domestic corporation with principal office and business address at No. 1600 Jorge Bocobo cor. P. Gil Sts., Malate, Manila; Complaint at 2; Record, p. 2.

[4] See Application for Company Account and approval letter, dated Feb. 28, 1995; Exhs. "1" and "2" and their sub-markings; Record, pp. 7-8 and 9-10, respectively.

[5] See Statement(s) of Account and receipts; Exh. "A" and "WW-14"; Record, pp. 125-462.

[6] Record, pp. 39-49.

[7] Note at 1.

[8] Note at 2.

[9] See Brief, pp. 21-22; Rollo, pp. 55-56. Bracketed insertion Ours.

[10] See Exh. "A-6", Application for Company Account, p. 2; Record, p. 8. Bracketed insertion and emphasis Ours.

[11] See Statement(s) of Account and receipts" Exh. "A" and "WW-14"; Supra at 5.

[12] G.R. No. 158621, Dec. 10, 2008.

[13] Supra at 6.

[14] See Art. 1308 of the Civil Code.

[15] See p. 2, Decision, making reference to TSN, Aug. 12, 2005, p. 35.

[18] See Vlasen Enterprises Corp. v. CA, et alM G.R. Nos. 121662-64, July 6, 1999.

[16] Record, pp. 39-49.

[17] G.R. No. 169647, Aug. 31, 2007. Emphasis Ours.

[18] See Vlasen Enterprises Corp. v. CA, et al., G.R. Nos. 121662-64, July 6, 1999.

[19] See Gajudo, et al. v. Traders Royal Bank, G.R. No. 151098, March 21, 2006, citing P. T. Cerna Corporation v. CA, 221 SCRA 19, April 6, 1993; and, Luxuria Homes, Inc., et al. v. CA, et al., G.R. No. 125986, Jan. 28, 1999.

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