

MACONDRAY & COMPANY, INC., PLAINTIFF AND APPELLEE, VS. PERFECTO PIÑON, ET AL., DEFENDANTS. RUPERTO K. KANGLEON, DECEASED, SUBSTITUTED BY VALENTINA TAGLE-KANGLEON, ET AL., DEFEND...

G.R. No. L-13817. August 31, 1961

Ponente: PADILLA, J.

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PADILLA, J.:

On 11 May 1955 the plaintiff filed a complaint^[1] against the defendants in the Court of First Instance of Manila alleging that upon representation and undertaking made by Ruperto K. Kangleon, then a member of the Senate, in a letter addressed to the plaintiff dated 30 January 1954, that he would guarantee payment of his co-defendants' obligation, should they fail to pay on the due date (Exhibit F), on 2 and 9 February 1954, the plaintiff sold on credit and delivered to the defendants Perfecto Piñon and Conrado Piring, known in the theater and entertainment business as "Tugak" and "Pugak," respectively, and transacting business under a common name known as "All Stars Productions," 127 rolls of cinematographic films, F. G. release positive type 825B, 35 mm. x 1,000 ft., for the total sum of P6,985, payable on or before 9 May 1954, 12% interest thereon from date of maturity and 20% thereof for attorney's fee in case of suit for collection (Exhibits A, B, C, D, E); that the principal debtors have failed to pay the amount owed by them on the due date; that upon extensive investigations made by the plaintiff as to whether the principal debtors have any property, real or personal, which may be levied upon for the satisfaction of their obligation, it has found that they have none; that the defendant Kangleon could not point to the plaintiff any property of the principal debtors leviable for execution sufficient to satisfy the obligation; and that the sum of P6,985, the amount owed, or part thereof, has not been paid by the defendants. It prayed that after hearing judgment be rendered ordering the defendants, jointly and severally, to pay it the sum of P6,985, 12% interest thereon from 10 May 1954 until fully paid, 20% of the amount due or P1,387 as attorney's fee, and costs, and that it be granted other just and equitable relief (civil No. 23947).

On 10 November 1955 the defendant Kangleon answered the plaintiff's complaint setting up the defense that the letter he had written to the plaintiff dated 30 January 1954 (Exhibit F) was only to introduce his co-defendants; that assuming that there was an intent on his part to guarantee payment of his co-defendant's obligation, the said letter (Exhibit F) was but an offer to act as guarantor of his co-defendants; that as the acceptance of his offer to act as guarantor for his co-defendants has not been actually made known to him by the plaintiff, the contract of guaranty between them has not been perfected; and that assuming that there has been a perfected contract of guaranty between the plaintiff and the answering defendant, the latter's obligation was extinguished by the extension for payment up to 3 May 1954 granted by the plaintiff to his co-defendants. By way of counterclaim, he sought from the plaintiff the sum of P20,000 as damages suffered by his good name and reputation caused by the plaintiff's clearly unfounded civil action, P2,000 as attorney's fee and P1,000 for expenses incurred in the litigation. As cross-claim, should he be finally adjudged liable to pay the plaintiff, he prayed that his co-defendants be ordered to reimburse him whatever amount he would pay to the plaintiff, and to pay him P3,000

as attorney's fee and expenses of litigation. He further prayed that he be absolved from the plaintiff's complaint and that he be granted other just and equitable relief.

The defendants Piñon and Piring did not answer the plaintiff's complaint or their co-defendants' cross-claim.

On 10 November 1955 the plaintiff answered the defendant's counterclaim.

On 25 August 1956 the plaintiff and the answering defendant entered into a stipulation of facts and submitted the case for judgment based upon the said stipulation.

Not having answered the complaint against them despite notice, the Court declared the defendants Piñon and Piring in default (p. 5, rec. on app.).

At the trial of the case on 30 August 1956, the plaintiff and the answering defendant further stipulated that the former had looked for properties of his co-defendants Piñon and Piring but found none (p. 23, rec. on app.). The plaintiff presented its evidence against the defendants in default.

On 30 September 1957 the Court rendered judgment, the dispositive part of which is:

WHEREFORE, judgment is hereby rendered sentencing the defendants Perfecto Piñon and Conrado Piring to pay the plaintiff jointly and severally the sum of P6,985.00 plus interest at the rate of 12% per annum from May 9, 1954 until fully paid and an amount equivalent to 20% as attorney's fees and costs of suit.

If this judgment becomes unsatisfied by the defendants Perfecto Piñon and Conrado Piring, the defendant Ruperto Kangleon is hereby sentenced to pay the plaintiff all the amount to which his co-defendants were sentenced to pay. (p. 29, rec. on app.)

The answering defendant has appealed.

From the stipulation of facts entered into by and between the appellant and appellee and the documentary evidence submitted by the appellee against the defendants in default, the following appear: On 30 January 1954 the defendants Piring and Piñon requested the appellant, then a member of the Senate, to help them buy on credit from the appellee some cinematographic films. To accommodate them, the appellant wrote a letter to the appellee, as follows:

REPUBLIC OF THE PHILIPPINES
SENATE
MANILA

January 30, 1954

The Manager
Macondray & Company
China Bank Building

SIR:

This will introduce to you the bearers, Messrs. Conrado Piring and Perfecto Piñon, both well known theater characters under the names of "Pugak" and Tugak", respectively.

I have been made to understand by them in their representations to me that they wish to place an order for the following items:

10 rolls Negative at P157.00 each, and
100 rolls positive at P55.00 each

of Dupont Release Positives Safety Basis for use of their firm called "All Stars Productions" under the management and control of Pugak and Tugak payable within three (3) months time ending April, 1954 and for which by their guaranty I pledge payment.

In view of the foregoing, I shall appreciate any help you can give to facilitate said purchases subject to usual business procedures.

Sincerely,

(Sgd.) Ruperto K. Kangleon

Senator

(Exhibit F) which letter the defendants in default presented to the appellee. On the strength of the appellants letter above quoted, on 2 and 9 February 1954, the appellee sold on credit and delivered to the defendants in default 127 rolls of cinematographic films, F. G. release positive type 825B, 35 mm. x 1,000 ft. for the total sum of P6,985, excluding sales tax, which is for the buyers' account, payable on or before 9 May 1954. The parties, among others, further stipulated that the buyers would pay interest at the rate of 1% per month on all amounts not paid when due; that should a litigation arise from non-payment, the venue of action would be the courts of Manila and that the buyers would pay 20% of the amount due for attorney's fee and costs of the suit (Exhibits A, B, C, D, E). The defendants in default failed to pay their obligation on the due date. On 27 May 1954 the appellee wrote to the appellant a letter of the following tenor:

May 27, 1954

Honorable Ruperto K. Kangleon
Philippine Senate
Manila

DEAR SIR:

On January 30th, last, you requested us to give Messrs. Conrado Piring and Perfecto Piñon, of "All-Stars Productions" certain rolls of negative and positive films, the cost of which was payable in three months and payment of which you guaranteed.

These films were delivered and billed at P6,985.00 on Feb. 9th last. The amount has not been paid (and) we have difficulty locating the above gentlemen as they cannot be found in their offices.

In view of this we hereby request you to send us a check for the amount as it was due on May 3rd.

Yours very truly,

Macondray & Co., Inc.

s/ILLEGIBLE

Collection Department

On 31 May 1954, the appellant answered the appellee as follows:

May 31, 1954

Macondray & Co., Inc.
3rd Floor, China Bank Bldg.
Manila

GENTLEMEN:

This will acknowledge receipt of your letter of May 27th.

Messrs. Conrado Piring and Perfecto Piñon are being contacted to invite their attention to your letter.

Notwithstanding the foregoing, I have been made to understand by Messrs. Piring and Piñon that in arrangements with that Company an extension of time has been granted them within which to settle their obligations.

Cordially yours,

(Sgd.) RUPERTO K. KANGLEON

On 2 June 1954 the appellee replied to the appellant's answer to the letter thus:

June 2, 1954

Hon. Ruperto K. Kangleon
Philippine Senate
Manila

DEAR SIR:

We have your letter of May 31st in reply to ours of the 27th and note that you are getting in touch with Messrs. Conrado Piring and Perfecto Piñon with regard to their account.

We know of no extension of time for payment being granted to these people and certainly no one in authority has made such an arrangement. For this reason, if payment is not received from them by the 15th inst. we expect to receive a remittance from you to cover the full amount.

Yours very truly,

Macondray & Co., Inc.

s/ILLEGIBLE

Collection Department

On 19 July 1954 the appellee wrote the following letter to the defendants in default:

July 19, 1954

Mr. Conrado Piring
147 Pureza Extension

Sta. Mesa, Manila
Mr. Perfecto Piñon
147 Pureza Extension
Sta. Mesa, Manila

GENTLEMEN:

Please be advised that Macondray & Co., Inc. has turned over to me for corresponding judicial action your account for films in the amount of P6,985.00. As this obligation is now long past due, payment thereof is earnestly requested. Unless payment thereof is received from you immediately, I shall be compelled, much to my regret, to take this matter to the court.

Very truly Yours,

(Sgd.) Jose Agbulos

Atty. for Macondray & Co., Inc.

which was sent to them by registered mail (Exhibits G, G-1 & G-2). Neither the defendants in default nor the appellant paid the amount owed to the appellee.

During the time this appeal was pending in this Court the appellant died. His heirs or their legal representative were directed to appear in substitution for the deceased appellant. Attorneys San Juan, Africa & Benedicto entered their appearance for said heirs, namely, Mrs. Valentina Tagle-Kangleon, Benjamin T. Kangleon, Juanito T. Kangleon, Mrs. Flora San Gabriel, Miss Corazon Kangleon, Miss Lourdes Kangleon, Mrs. Teresita Limcolioc, Mrs. Aida Rosca, Jesus Kangleon, Jose Kangleon and Miss Cecilia Kangleon.

The appellant contends that although in the stipulation of facts entered into by and between him and the appellee, he had admitted the liability of his co-defendants, who were declared in default, under the principle of *res inter alios acta*, that an admission by a third person can not bind another, his admission cannot bind the defendants in default, and no judgment against them may be rendered on the basis of the stipulation of facts referred to. Since the appellee had not established a case against the defendants in default, the principal debtors, it cannot directly hold liable the appellant, the guarantor, whose obligation is only subsidiary to that of the former.

The appellant proceeds from the wrong premise that the case was submitted to the Court solely on the stipulation of facts entered into by and between him and the appellee. The records show that when the case was called for trial on 30 August 1956, after the appellant's co-defendants had been declared in default, the appellee presented its evidence, testimonial and documentary, against them (pp. 5-18, t.s.n.; Exhibits A, B, C, D, E, G, G, G-1 & G-2), and thereby established their primary liability.

The appellant claims that the letter (Exhibit F) is merely a letter of introduction and does not constitute an offer of guaranty. A cursory reading of the letter (Exhibit F) belies his assertion. While in his opening sentence he says that "This will introduce to you the bearers, Messrs. Conrado Piring and Perfecto Piñon* * *," who "wish to place an order for" cinematographic films, yet in the later part he says that "for which by their guaranty I pledge payment." This can only mean that he undertakes to guarantee payment of the principal debtors' obligation should they fail to pay. The appellant is a responsible man and may be presumed to mean what he says. At that time, he was occupying the exalted position of member of the Senate and his plighted word given to another would

immediately be accepted. It is not, therefore, odd that upon receipt of the appellant's letter (Exhibit F), the appellee readily sold on credit to the principal debtors, the defendants in default, the cinematographic films in question.

That the appellant really meant to guarantee payment of the principal debtors' obligation should they default, is patent in his answer to the appellee's letter dated 27 May 1954, reminding him that on 30 January he requested it "to give Messrs. Conrado Piring and Perfecto Piñon, of 'All Stars Productions', certain rolls of negative and positive films, the cost of which was payable in three months time and payment of which you guaranteed; that the "films were delivered and billed at P6,985.00 on Feb. 9th, last;" and that "the amount has not been paid (and) we have difficulty locating the above gentlemen as they cannot be found in their offices," and requesting the appellant to send a. check for the amount. In his answer to the foregoing letter, dated 31 May 1954, he acknowledged receipt of the appellee's letter of the 27th of the same month and informed it that the principal debtors were "being contacted to invite their attention to your letter." Had the appellant meant otherwise, he would have immediately denied that he ever guaranteed payment of the principal debtors' obligation. This he did not do.

The appellant's very letter (Exhibit F) constitutes his undertaking of guaranty. "Contracts shall be obligatory in whatever form they may have been entered into, provided all the essential requisites for their validity are present."^[1] A contract of guaranty is not a formal contract and shall be valid in whatever form it may be, provided that it complies with the statute of frauds.

The appellant insists that he should have been notified by the appellee of the acceptance of his offer of guaranty. In the first place, his letter (Exhibit F) already constitutes his undertaking of guaranty. In the second place, the contract entered into by and between the appellee and the defendants in default is the principal contract and the contract entered into by and between the appellant and the appellee is subsidiary to the principal contract. Since the principal contract had already been perfected, the subsidiary contract of guaranty became binding upon effectivity of the principal contract. Hence no notice of acceptance by the appellee to the appellant is necessary for its validity.

The appellant states that assuming that the letter Exhibit F constitutes a contract of guaranty, the films actually sold to the principal debtors were 127 rolls of F. G. release positive type 825B, 35 mm. x 1,000 ft. at P55 a roll, payable 9 May 1954, while what he undertook to guarantee payment was 10 rolls negative at P157 each and 100 rolls positive at P55 each, payable within three months ending April, 1954. Citing article 2055 of the Civil Code that a guaranty cannot extend to more than what is stipulated therein, the appellant contends that he cannot be held liable for the contract in view of the variation in his undertaking. The total cost of what was actually sold to and bought by the principal debtors is P6,985, which is less than the total cost of what was originally intended to be bought by them amounting to P7,070. The variation was merely in kind and not in subject matter—cinematographic films—which did not render the appellant's obligation more burdensome. Instead his obligation was rendered less onerous by the reduction in the original price of P7,070 to P6,985. The fact that in the letter Exhibit F, the appellant mentioned that the principal debtors' obligation would be "payable within three months time ending April, 1954," while in the contract entered into by and between the appellee and the principal debtors they have stipulated that their obligation would be payable on or before 9 May 1954, is of no moment. The letter Exhibit F was dated 30 January 1954. Counted from that date, the three months period would expire on 30 April 1954. However, actually the principal contract was consummated on 9 February 1954 (Exhibit A). It is but fair that the three months period be counted from that date ending 9 May 1954. Again, the appellant's obligation has not become more onerous than what he actually bound himself.

The judgment appealed from is affirmed against the heirs of the deceased appellant herein above named, with

costs against them.

Bengzon, C. J., Labrador, Reyes, J. B. L., Barrera, Paredes, Dizon, De Leon, and Natividad, JJ., concur.
Concepcion, J., took no part.

[1] Third amended complaint.

[1] Article 1356, Civil Code.

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