

**DORIS N. PUENTESPINA AND JAIME G. PUENTESPINA,
PLAINTIFF-APPELLEES, VS. PAULETTE V. GEVERA AND ALEX
GEVERA, DEFENDANT-APPELLANTS.**

Ponente: CONTRERAS, J.

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CONTRERAS, J.:

Before this Court is an appeal from the Decision[1] rendered by Branch 17 of the Regional Trial Court (RTC) of Davao City in Civil Case No. 28,088-2000 ordering appellants to pay appellees the sum of one hundred thousand, four hundred fifty-one pesos & 58/100 (PHP 100,451.58).

The Facts

The facts of the present controversy borne by the records are:

On September 4, 2000, Spouses Doris N. Puentespina and Jaime G. Puentespina (appellees for brevity) filed an action to fix the period of payment of an obligation and damages with application for a preliminary attachment against Spouses Paulette V. Gevera and Alex Gevera (appellants for brevity) before the Regional Trial Court, Branch 17 of Davao City (RTC for brevity) docketed as Civil Case No. 28, 088-2000.

In their complaint,[2] appellees (plaintiffs therein) alleged that: sometime in February 2000, appellees and appellants orally entered into a contract of sale whereby the former would sell/transfer/cede their stock inventory of medicines and assorted groceries in their drugstore to the latter and after assessment of other assets, transfer/relinquish to appellants the right to personally manage/supervise the said drugstore business; upon the turnover of the said business, appellees gave appellants the list of the original stock inventory amounting to PHP 372,136.29; although there was no definite period agreed upon by the parties when the said amount should be paid, they made an arrangement allowing appellants to remit every month such reasonable amounts for the cost of disposed medicines derived from the monthly sales of the drugstore; pursuant to such manner of payment, appellants were able to remit a total amount of PHP 80,000.00; after their last payment in May 2000, appellants unjustly refused to personally confer with appellees about their accountability with the latter; appellees sent a letter dated August 5, 2000 suggesting to appellants to submit a program/schedule of payments of their overdue account, but the said letter was ignored by appellants; appellees pray, among others, for the fixing of the period of payment of appellants' obligation based on the inventory of medicines submitted by appellees to appellants, as well as the determination of the unaccounted assets in the drugstore for failure of the parties to agree on its valuation.

Meanwhile, on October 3, 2000, appellants (defendants therein) filed an Answer with Counterclaim and Affirmative Defenses[3] contending that: what was agreed upon verbally by the parties was the sale of all the stocks in the said drugstore, including all the improvements, for a price equivalent to the retail cost of the stocks less the 7.5% mark-up and less cost of expired medicines; pursuant to the verbal contract of sale, appellants took over the operations of Farmacia Doricel on February 8, 2000, and conducted the inventory of the medicines and assorted grocery items on the following day, February 9, 2000; the inventory yielded the amount of PHP

180,451.58 based on the retail price of the items involved; in keeping with the same contract, appellants made additional payments on March 10, 2000, in the amount of PHP 20,000.00, and on May 15, 2000, in the amount of PHP 10,000.00; subsequently, the sales of the drugstore consistently declined that it can barely pay the salaries of the store personnel until appellants decided to close the drugstore, thus failing to make further payments in favor of appellees.

On February 2002, a pre-trial was conducted. Thereafter, the trial court issued a Pre-Trial Order.[4] Trial on the merits then ensued.

On March 10, 2003, the RTC rendered a Decision[5] with the following decretal portion which states:

WHEREFORE, finding the evidence presented by both parties on record through counsels, sufficient to prove the claims of plaintiff spouses Doris Puestespina and Jaime Puentespina against spouses Paulette Gevera and Alex Gevera, defendants, not however on the cause of action of plaintiffs against defendants-spouses in the amount stated in the complaint of plaintiffs but on the total amount of One Hundred Eighty Thousand Four Hundred Fifty One Pesos & 58/100 (P180,451.58) less Eighty Thousand Pesos (P80,000.00) down payment of defendant or remaining balance of only One Hundred Thousand Four Hundred Fifty One Pesos & 58/100 (P100,451.58) proved in the inventory of stocks of Farmacia Doricel, supported by evidence of defendants, subject of the oral contract of sale between parties, to be paid by defendants to plaintiffs, within six months receipt of this Decision by defendants in two (2) equal installment, or full payment, of defendants, as the case maybe.

The prayer of plaintiffs, for moral and exemplary damages and Attorney's fees, for lack of merit, are denied.

Moreover other claims of plaintiffs against defendants, not proved and strictly not included in the agreement of parties are likewise, denied.

On the other hand, the counterclaim of defendants spouses for moral, exemplary damages and Attorney's fees, are denied for lack of factual and legal basis.

SO ORDERED.

Unsatisfied, on March 27, 2003, both plaintiffs and defendants filed a Notice of Appeal[6] which was approved by the RTC in an Order[7] dated April 3, 2003.

However, on August 2, 2013, this Honorable Court issued a Resolution[8] dismissing the appeal filed by plaintiffs for failure to file appellants' brief within the reglementary period pursuant to Section 1 (e), Rule 50 of the Revised Rules of Civil Procedure. Accordingly, a Partial Entry of Judgment was issued on the same day.[9]

Hence, this remaining Appeal by defendants.

Issues

The present recourse by the appellants raising two issues, to wit:

I

WHETHER OR NOT THE HONORABLE REGIONAL TRIAL COURT ERRED IN HOLDING THAT THE DEFENDANT-APPELLANTS ARE LIABLE TO PAY PLAINTIFF-APPELLANTS THE AMOUNT OF ONE HUNDRED THOUSAND FOUR HUNDRED FIFTY-ONE & 58/100 PESOS (PHP 100,451.58), AS PROVED BY THE INVENTORY OF STOCKS;

II

WHETHER OR NOT THE HONORABLE REGIONAL TRIAL COURT ERRED IN ADJUDGING

DEFENDANT-APPELLANTS TO BE LIABLE TO PAY THE AFORESAID AMOUNT OF PHP 100,451.58 IN FAVOR OF THE PLAINTIFF-APPELLANTS WITHIN SIX (6) MONTHS FROM RECEIPT OF THE SAME DECISION IN TWO (2) EQUAL INSTALLMENTS, OR IN FULL, AS THE CASE MAY BE.

Simply put, the crux of the controversy revolves on whether or not appellants are liable to pay appellees the remaining balance of the consideration of the sale.

The Court's Ruling

The appeal is unmeritorious.

Appellants aver that the RTC seriously erred in finding them liable to pay the amount of One Hundred Thousand Four Hundred Fifty-One & 58/100 pesos (P100,451.58) as there is no basis in fact and in law. Appellants argue that it is an error for the RTC to base its computation from the stock inventory made by them because such inventory does not indicate any obligation on the part of appellants to pay appellees a certain amount. They contend that in the oral contract of sale, appellants and appellees agreed that the payment for the remaining balance of the consideration of the sale shall be taken from the "proceeds of sale of the medicines and assorted grocery items, without fixed amount." But since the drugstore business was continuously losing, and their sales was not even enough to pay the salaries of the store personnel, then their obligation to pay appellees of the remaining balance did not arise.

Such averment does not persuade Us.

By law, a contract of sale is perfected at the moment there is a meeting of minds upon the thing which is the object of the contract and upon the price. It is a consensual contract which is perfected by mere consent. Once perfected, the contract is generally binding in whatever form (i.e., written or oral) it may have been entered into provided the three (3) essential requisites for its validity prescribed under Article 1318 of the Civil Code are present namely: (1) consent of the contracting parties; (2) object certain which is the subject matter of the contract; and (3) cause of the obligation which is established.[10]

Here, although the agreement between appellants and appellees is verbal, still, it is a valid contract of sale because the three essential requisites provided in Article 1318 are present. Both appellants and appellees even admitted in open court that they entered into a contract of sale. Well-settled is the rule that a contract is the law between the parties, and courts have no choice but to enforce such contract so long as it is not contrary to law, morals, good customs or public policy. Otherwise, courts would be interfering with the freedom of contract of the parties. Simply put, courts cannot stipulate for the parties or amend the latter's agreement, for to do so would be to alter the real intention of the contracting parties when the contrary function of courts is to give force and effect to the intention of the parties.[11]

Having bound themselves under the contract of sale, appellants and appellees are governed by its terms. However, since the case involves a verbal contract, ascertainment of its terms would have to depend on the contemporaneous and subsequent acts of the parties. Article 1371 of the Civil Code provides that in order to judge the intention of the contracting parties, their contemporaneous and subsequent acts shall be principally considered. Here, appellee Doris Puentespina admitted in open court that appellants will pay them back the "proceeds of the sales, without fixed amount," viz:

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Q: Now, what was your verbal arrangement on that sale of botica?

A: The sale was mainly on the stocks inventory of medicines and assorted groceries found in the botica, to be paid out of the proceeds of the sale of the stocks.

Q: What other verbal agreement do you have with the principal defendant, when you turned over the botica at Bangkal?

A: We have also verbally agreed that she may return the expired medicine and on the event that she will find difficulty in paying the obligation, she has the option to return the botica.[12] [Emphasis supplied]

xxx xxx xxx

Q: Why do you say so, that there was fraud when the defendants entered into a verbal sale with you?

A: Because the stocks of medicines and assorted groceries found in my botica, are convertible or equivalent to cash. The defendants are obliged to pay me regularly every month, out of the proceeds of the sales without fix[ed] amount, considering the daily sale[s], but she failed to pay the obligation, instead, use the proceeds of the sale for personal use. Moreover, the defendant make it appear, that I sold the stock in barrel, which is not the case.[13] [Emphasis supplied]

xxx xxx xxx

Q: You said in your direct, that defendants did not turn over to you the actual proceeds of the supposed sales after their takeover? A: Yes, your Honor.

Q: When did the defendants supposed to turn over to you the sales?

A: They were not supposed to turn over the sales, from the moment they took over, they got all the sales of the botica.

Q: Are they not supposed to give the sales every month?

A: No.

Q: What is your agreement?

A: They will just pay me back the proceeds of the sales, without fix[ed] amount.

Q: To pay you back out of this proceeds?

A: Yes, your Honor.[14] [Emphasis supplied]

The above-stated agreement that “the remaining balance of the consideration of the sale shall be taken from the proceeds of sale of the medicines and assorted grocery items, without fixed amount” was also admitted by appellants in open court and in their pleadings. However, the predicament lies in the interpretation of the phrase “proceeds of sale.”

Appellants argue that this phrase was understood by them as embodying or yielding profit out of the sale transactions. Such that if there is no profit, as when the proceeds of the sales are not even enough to pay for the salaries of the store personnel, the obligation to pay appellees the balance of the consideration does not arise.

We do not agree. Black’s Law Dictionary defines “proceeds” as issues; produce; money obtained by the sale of property; the sum, amount, or value of property sold or converted into money or into other property.[15] From this definition, it can be said that “proceeds” is the money or value obtained from the sale of the stock inventory without taking into consideration in its computation the expenses incurred. Hence, appellants are required to pay the entire value of the stock inventory sold regardless whether there is profit or not. Every business venture involves risks. Risks are not unforeseeable; they are inherent in business. Appellants should have made due diligence in assessing the business landscape and evaluating the profitability of the drugstore before they entered into the venture. They should have made adequate research regarding Farmacia Doricel in order to protect its interests and not just rely on the words of appellees. Now that the business venture turned out to be unprofitable, then appellants will have to bear such losses. They cannot refuse payment of the balance on the sole reason that the business is losing.

Courts are not defenders of bad bargains. At most, they only declare the rights and obligations of the parties to the contract in order to preserve sanctity of the same.[16] While the sale may be a bad bargain for appellants because

the drugstore business turned out to be unprofitable, certainly, it is not an illegal transaction vitiated by fraud or undue influence. Courts protect only those who were innocent victims of fraud, and not those who simply made bad bargains or exercised unwise judgment. While we may commiserate with the appellants for a contract of sale that has proved unwise, we can only echo what Mr. Justice Moreland observed in *Vales v. Villa*,^[17] thus:

. . . Courts cannot follow one every step of his life and extricate him from bad bargains, protect him from unwise investments, relieve him from one-sided contracts, or annul the effects of foolish acts. Courts cannot constitute themselves guardians of persons who are not legally incompetent. Courts operate not because one person has been defeated or overcome by another, but because he has been defeated or overcome illegally. Men may do foolish things, make ridiculous contracts, use miserable judgment, and lose money by them — indeed, all they have in the world; but not for that alone can the law intervene and restore. There must be, in addition, a violation of law, the commission of what the law knows as an actionable wrong, before the courts are authorized to lay hold of the situation and remedy it.

Finally, let it be emphasized that appellants merely reiterate, reproduce and incorporate the issues and arguments they raised before the court a quo which have already been passed upon, fully considered, exhaustively discussed and pronounced without merit in the assailed Decision. Their reiteration or rehash of identical arguments cannot obliterate their appalling speciousness. Hence, there is no basis to discuss the other issues raised by appellants. Likewise, there is no reason to deviate from, modify or let alone reverse the assailed RTC Decision.

Perforce, the appeal must fail.

WHEREFORE, premises considered, the instant appeal is hereby **DISMISSED**, and the assailed Decision dated March 10, 2003 rendered by Branch 17 of the Regional Trial Court of Davao City, in Civil Case. No. 28,088-2000 is hereby **AFFIRMED**.

SO ORDERED.

Lloren, J., Ch., and Santos, JJ., concur.

[1] Rollo at pp. 39-49.

[2] Records at pp. 3-5.

[3] Records at pp. 25-33.

[4] Records at pp. 321-324.

[5] Rollo at pp. 39-49.

[6] Records at p. 492, 498.

[7] Records at p. 494.

[8] Rollo at p. 133.

[9] Rollo at p. 134.

[10] Claudio Delos Reyes and Lydia Delos Reyes v. The Hon. Court Of Appeals and Daluyong Gabriel, Substituted By His Heirs, Namely: Maria Luisa G. Esteban, Maria Rita G. Bartolome & Renato Gabriel, G.R. No. 129103, September 3, 1999.

[11] Norton Resources and Development Corporation v. All Asia Bank Corporation, G.R. No. 162523, November

25, 2009.

[12] Transcript of Stenographic Notes (TSN), December 7, 2000, p. 6-7.

[13] Transcript of Stenographic Notes (TSN), December 7, 2000, p. 15.

[14] Transcript of Stenographic Notes (TSN), December 7, 2000, p. 26-27.

[15] <http://thelawdictionary.org/proceeds/>. Accessed on January 28, 2015.

[16] Philippine National Bank vs. Ciriaco Jumamoy and Heirs Of Antonio Go Pace, represented by Rosalia Pace, G.R. No. 169901, August 3, 2011.

[17] G.R. No. 10028, December 16, 1916.

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