

**DOMINADOR DIZON, DOING BUSINESS UNDER THE FIRM NAME
“PAWNSHOP OF DOMINADOR DIZON”, PETITIONER, VS.
LOURDES G. SUNTAY, RESPONDENT.**

G.R. No. L-30817. September 29, 1972

Ponente: FERNANDO, J.

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FERNANDO, J.:

In essence there is nothing novel in this petition for review of a decision of the Court of Appeals affirming a lower court judgment sustaining the right of an owner of a diamond ring, respondent Lourdes G. Suntay, as against the claim of petitioner Dominador Dizon, who owns and operates a pawnshop. The diamond ring was turned over to a certain Clarita R. Sison, for sale on commission, along with other pieces of jewelry of respondent Suntay. It was then pledged to petitioner. Since what was done was violative of the terms of the agency, there was an attempt on her part to recover possession thereof from petitioner, who refused. She had to file an action then for its recovery. She was successful, as noted above, both in the lower court and thereafter in the Court of Appeals. She prevailed as she had in her favor the protection accorded by Article 559 of the Civil Code.[1] The matter was then elevated to us by petitioner. Ordinarily, our discretion would have been exercised against giving due course to such petition for review. The vigorous plea however, grounded on estoppel, by his counsel, Atty. Andres T. Velarde, persuaded us to act otherwise. After a careful perusal of the respective contentions of the parties, we fail to perceive any sufficient justification for a departure from the literal language of the applicable codal provision as uniformly interpreted by this Court in a number of decisions. The invocation of estoppel is therefore unavailing. We affirm.

The statement of the case as well as the controlling facts may be found in the Court of Appeals decision penned by Justice Perez. Thus: "Plaintiff is the owner of a three-carat diamond ring valued at P5,500.00. On June 13, 1962, the plaintiff and Clarita R. Sison entered into a transaction wherein the plaintiff's ring was delivered to Clarita R. Sison for sale on commission. Upon receiving the ring, Clarita R. Sison executed and delivered to the plaintiff the receipt * * *. The plaintiff had already previously known Clarita R. Sison as the latter is a close friend of the plaintiff's cousin and they had frequently met each other at the place of the plaintiff's said cousin. In fact, about one year before their transaction of June 13, 1962 took place, Clarita R. Sison received a piece of jewelry from the plaintiff to be sold for P500.00, and when it was sold, Clarita R. Sison gave the price to the plaintiff. After the lapse of a considerable time without Clarita R. Sison having returned to the plaintiff the latter's ring, the plaintiff made demands on Clarita R. Sison for the return of her ring but the latter could not comply with the demands because, without the knowledge of the plaintiff, on June 15, 1962 or three days after the ring above-mentioned was received by Clarita R. Sison from the plaintiff, said ring was pledged by Melia Sison, niece of the husband of Clarita R. Sison, evidently in connivance with the latter, with the defendant's pawnshop for P2,600.00 * * *." [2] Then came this portion of the decision under review: "Since the plaintiff insistently demanded from Clarita R. Sison the return of her ring, the latter finally delivered to the former the pawnshop ticket * * * which is the receipt of the pledge with the defendant's pawnshop of the plaintiff's ring. When the

plaintiff found out that Clarita R. Sison pledged, she took steps to file a case of estafa against the latter with the fiscal's office. Subsequently thereafter, the plaintiff, through her lawyer, wrote a letter * * * dated September 22, 1962, to the defendant asking for the delivery to the plaintiff of her ring pledged with defendant's pawnshop under pawnshop receipt serial B No. 65606, dated June 15, 1962 * * *. Since the defendant refused to return the ring, the plaintiff filed the present action with the Court of First Instance of Manila for the recovery of said ring, with P500.00 as attorney's fees and costs. The plaintiff asked for the provisional remedy of replevin by the delivery of the ring to her, upon her filing the requisite bond, pending the final determination of the action. The lower court issued the writ of replevin prayed for by plaintiff and the latter was able to take possession of the ring during the pendency of the action upon her filing the requisite bond." [3] It was then noted that the lower court rendered judgment declaring that plaintiff, now respondent Suntay, had the right to the possession of the ring in question. Petitioner Dizon, as defendant, sought to have the judgment reversed by the Court of Appeals. It did him no good. The decision of May 19, 1969, now on review, affirmed the decision of the lower court.

In the light of the facts as thus found by the Court of Appeals, well-nigh conclusive on us, with the applicable law being what it is, this petition for review cannot prosper. To repeat, the decision of the Court of Appeals stands.

1. There is a fairly recent restatement of the force and effect of the governing codal norm in *De Garcia vs. Court of Appeals*. [4] Thus: "The controlling provision is Article 559 of the Civil Code. It reads thus: 'The possession of movable property acquired in good faith is equivalent to a title. Nevertheless, one who has lost any movable or has been unlawfully deprived thereof may recover it from the person in possession of the same. If the possessor of a movable lost of which the owner has been unlawfully deprived, has acquired it in good faith at a public sale, the owner cannot obtain its return without reimbursing the price paid therefor.' Respondent Angelina D. Guevara, having been unlawfully deprived of the diamond ring in question, was entitled to recover it from petitioner Consuelo S. de Garcia who was found possession of the same. The only exception the law allows is when there is acquisition in good faith of the possessor at a public sale, in which case the owner cannot obtain its return without reimbursing the price. As authoritatively interpreted in *Cruz vs. Pahati*, the right of the owner cannot be defeated even by proof that there was good faith in the acquisition by the possessor. There is a reiteration of this principle in *Aznar vs. Yapdiangco*. Thus: 'Suffice it to say in this regard that the right of the owner to recover personal property acquired in good faith by another, is based on his being dispossessed without his consent. The common law principle that were one of two innocent persons must suffer by a fraud perpetrated by another, the law imposes the loss upon the party who, by his misplaced confidence, has enabled the fraud to be committed, cannot be applied in a case which is covered by an express provision of the new Civil Code, specifically Article 559. Between a common law principle and a statutory provision, the latter must prevail in this jurisdiction.'" [5]

2. It must have been a recognition of the compulsion exerted by the above authoritative precedents that must have caused petitioner to invoke the principle of estoppel. There is clearly a misapprehension. Such a contention is devoid of any persuasive force.

Estoppel as known to the Rules of Court [6] and prior to that to the Court of Civil Procedure, [7] has its roots in equity. Good faith is its basis. [8] It is a response to the demands of moral right and natural justice. [9] For estoppel to exist though, it is indispensable that there be a declaration, act or omission by the party who is sought to be bound. Nor is this all. It is equally a requisite that he, who would claim the benefits of such a principle, must have altered his position, having been so intentionally and deliberately led to comport himself thus, by what was declared or what was done or failed to be done. If thereafter a litigation arises, the former would not be allowed to disown such act, declaration or omission. The principle comes into full play. It may successfully be relied upon. A court is to see to it then that there is no turning back on one's word or a repudiation of one's act. So it has been from our earliest decisions. As Justice Mapa pointed out in the first case, a 1905 decision, *Rodriguez vs.*

Martinez,[10] a party should not be permitted "to go against his own acts to the prejudice of [another]. Such a holding would be contrary to the most rudimentary principles of justice and law." [11] He is not, in the language of Justice Torres, in *Irlanda vs. Pitargue*, [12] promulgated in 1912, "allowed to gainsay [his] own acts or deny rights which [he had] previously recognized." [13] Some of the later cases are to the effect that an unqualified and unconditional acceptance of an agreement forecloses a claim for interest not therein provided. [14] Equally so the circumstance that about a month after the date of the conveyance, one of the parties informed the other of his being a minor, according to Chief Justice Paras, "is of no moment, because [the former's] previous misrepresentation had already estopped him from disavowing the contract." [15] It is easily understandable why, under the circumstances disclosed, estoppel is a frail reed to hang on to. There was clearly the absence of an act or omission, as a result of which a position had been assumed by petitioner, who if such elements were not lacking, could not thereafter in law be prejudiced by his belief in what had been misrepresented to him. [16] As was put by Justice Labrador, "a person claimed to be estopped must have knowledge of the fact that his voluntary acts would deprive him of some rights because said voluntary acts are inconsistent with said rights." [17] To recapitulate, there is this pronouncement not so long ago, from the pen of Justice Makalintal, who reaffirmed that estoppel "has its origin in equity and, being based on moral right and natural justice, finds applicability wherever and whenever the special circumstances of a case so demand." [18]

How then can petitioner in all seriousness assert that his appeal finds support in the doctrine of estoppel? Neither the promptings of equity nor the mandates of moral right and natural justice come to his rescue. He is engaged in a business where presumably ordinary prudence would manifest itself to ascertain whether or not an individual who is offering a jewelry by way of a pledge is entitled to do so. If no such care be taken, perhaps because of the difficulty of resisting opportunity for profit, he should be the last to complain if thereafter the right of the true owner of such jewelry should be recognized. The law for this sound reason accords the latter protection. So it has always been since *Varela vs. Finnick*, [19] a 1907 decision. According to Justice Torres: "In the present case not only has the ownership and the origin of the jewels misappropriated been unquestionably proven but also that the accused, acting fraudulently and in bad faith, disposed of them and pledged them contrary to agreement, with no right of ownership, and to the prejudice of the injured party, who was thereby illegally deprived of said jewels; therefore, in accordance with the provisions of article 464, the owner has an absolute right to recover the jewels from the possession of whosoever holds them, * * *." [20] There have been many other decisions to the same effect since then. At least nine may be cited. [21] Nor could any other outcome be expected, considering, the civil code provisions both in the former Spanish legislation [22] and in the present Code. [23] Petitioner ought to have been on his guard before accepting the pledge in question. Evidently there was no such precaution availed of. He therefore, has only himself to blame for the fix he is now in. It would be to stretch the concept of estoppel to the breaking point if his contention were to prevail. Moreover, there should have been a realization on his part that courts are not likely to be impressed with a cry of distress emanating from one who is in a business authorized to impose a higher rate of interest precisely due to the greater risk assumed by him. A predicament of this nature then does not suffice to call for less than undeviating adherence to the literal terms of a codal provision. Moreover, while the activity he is engaged in is no doubt legal, it is not to be lost sight of that it thrives on taking advantage of the necessities precisely of that element of our population whose lives are blighted by extreme poverty. From whatever angle the question is viewed then, estoppel certainly cannot be justly invoked.

WHEREFORE, the decision of the Court of Appeals of May 19, 1969 is affirmed, with costs against petitioner.

Concepcion, C.J., Zaldivar, Makasiar, Antonio, and Esguerra, JJ., concur.

Castro, J., reserves his vote.

Makalintal and Barredo, JJ., took no part.

Teehankee, J., see concurring opinion.

[1] Article 559 reads as follows: "The possession of movable property acquired in good faith is equivalent to a title. Nevertheless, one who has lost any movable or has been unlawfully deprived thereof, may recover it from the person in possession of the same. If the possessor of a movable lost or of which the owner has been unlawfully deprived, has acquired it in good faith at a public sale, the owner cannot obtain its return without reimbursing the price paid therefor."

[2] Appendix A to Petitioner's Brief, pp. 1-11.

[3] Ibid, pp. 11-111.

[4] L-20264, January 30, 1971, 37 SCRA 129.

[5] Ibid, pp. 134-135. Cruz vs. Pahati is reported in 98 Phil. 788 (1956) and Aznar vs. Yapdiangco, L-18536, promulgated on March 31, 1965 in 13 SCRA 486.

[6] According to the Rules of Court, Rule 131, Sec. 3(a): "Whenever a party has, by his own declaration, act or omission, intentionally and deliberately led another to believe a particular thing true, and to act upon such belief, he cannot, in any litigation arising out of such declaration, act or omission, be permitted to falsify it; * * *."

[7] Section 331, Act 190 (1901).

[8] Cf. Herman vs. Radio Corporation of the Philippines, 50 Phil. 490 (1927).

[9] Cf. "The doctrine of estoppel having its origin in equity, and therefore being based on moral right and natural justice, its applicability to any particular case depends, to a very large extent, upon the special circumstances of the case." Mirasol vs. Municipality of Tabaco, 43 Phil. 610, 614 (1922).

[10] 5 Phil. 67. Other cases follow: Municipality of Oas vs. Roa, 7 Phil. 20 (1906); Trinidad vs. Ricafort, 7 Phil. 449 (1907); Fable vs. The City of Manila, 10 Phil. 64 (1908); United States vs. Macaspac, 12 Phil. 26 (1908); Chinese Chamber of Commerce vs. Pua Te Ching, 14 Phil. 222 (1909) and Amancio vs. Pardo, 20 Phil. 313 (1911).

[11] Ibid, p. 69.

[12] 22 Phil. 383. Cf. In re estate of Enriquez and Reyes, 29 Phil. 167 (1915); Hernaez vs. Hernaez, 32 Phil. 214 (1915); Jalbuena vs. Lizarraga, 33 Phil. 77 (1915); Joaquin vs. Mitsumine, 34 Phil. 858 (1916); Lopez vs. Abelarde, 36 Phil. 563 (1916); Henry B. Peabody & Co. vs. Bromfield and Ross, 38 Phil. 841 (1918); Herman vs. Radio Corp. of the Phil., 50 Phil. 490 (1927); Bachrach Motor Co. vs. Kane, 61 Phil. 504 (1935) and Ortua vs. Rodriguez, 63 Phil. 809 (1936).

[13] Ibid, p. 392.

[14] Gozun vs. Republic of the Philippines, 84 Phil. 359 (1949).

[15] Sia Suan vs. Alcantara, 85 Phil. 669, 672 (1950).

[16] Cf. Borlaza vs. Ramos, 89 Phil. 464 (1951).

[17] Board of Directors vs. Alandy, 109 Phil. 1058, 1069 (1960).

[18] Castrillo vs. Court of Appeals, L-18046, March 31, 1964, 10 SCRA 549, 553-554. Cf. Calderon vs. Medina, L-17634, Oct. 2, 1966, 18 SCRA 583; Bucay vs. Paulino, L-25775, April 26, 1968, 23 SCRA 294; Saura Import

and Export Co. vs. Solidum, L-24514, July 31, 1968, 24 SCRA 574; Fieldmen's Insurance Co. vs. Vda. de Songco, L-24833, Sept. 23, 1968, 25 SCRA 70; De Castro vs. Ginete, L-30058, March 28, 1969, 27 SCRA 623; Lazo vs. Republic Surety, L-27365, Jan. 30, 1970, 31 SCRA 329; Kalalo vs. Luz, L-27782, July 31, 1970, 34 SCRA 337; Ramos vs. Central Bank, L-29352, Oct. 4, 1971, 41 SCRA 565.

[19] 9 Phil. 482.

[20] Ibid, p. 486.

[21] Cf. U.S. vs. Meñez, 11 Phil. 430 (1908); Arenas vs. Raymundo, 19 Phil. 46 (1911); Reyes vs. Ruiz, 27 Phil. 458 (1914); United States vs. Sotelo, 28 Phil. 147 (1914); People vs. Alejano, 54 Phil. 987 (1930); Gacula vs. Martinez, 88 Phil. 142 (1951); Cruz vs. Pahati, 98 Phil. 788 (1956); Aznar vs. Yapdiangco, L-18536, March 31, 1965, 13 SCRA 486.

[22] Civil Code of Spain of 1889.

[23] Republic Act 386 (1950).

CONCURRING OPINION

TEEHANKEE, J.:

I concur in the main opinion of Mr. Justice Fernando, tracing and confirming the long settled and uniform juris-prudence since 1905 based on the express statutory provision of article 559 of our Civil Code (formerly article 464 of the old Civil Code) that the owner "who has lost any movable or has been unlawfully deprived thereof may recover it from the person in possession of the same," the only exception expressly provided in the codal article being that "if the possessor of a movable lost of which the owner has been unlawfully deprived, has acquired it in good faith at a public sale, the owner cannot obtain its return without reimbursing the price paid therefor." [1]

Senator Tolentino's submittal in his commentaries on the Civil Code "that the better view is to consider 'unlawfully deprived' as limited to unlawful taking, such as theft or robbery, and should not include disposition through abuse of confidence. Thus, if the owner has entrusted personal property to a bailee, such as for transportation, pledge, loan or deposit, without transmitting ownership, and the latter alienates it to a third person who acquires it in good faith, the owner cannot recover it from such third person," is, as he himself admits, based on the express provision of the French Code which allows the true owner of personal property to recover it from the possessor in good faith without reimbursement only "if it has been stolen from him." He concedes likewise that "our Code, following the Spanish code, uses, broader language than that used in the French code" – since our Code provides that the owner who has been "unlawfully deprived" of personal property may re-cover it from the possessor without reimbursement, with the sole exception where the possessor acquired the article in good faith at a public sale. [2]

He thus concedes finally that "(T)here are writers who believe that the phrase 'unlawfully deprived' in our Code does not have the same meaning as stolen in the French code; that it is used in the general sense, and is not used in the specific sense of deprivation by robbery or theft. Under this view, it extends to all cases where there has been no valid transmission of ownership, including the case where the proprietor has entrusted the thing to a borrower, depositary, or lessee who has sold the same. It is believed that the owner in such case is undoubtedly unlawfully deprived of his property, and may recover the same from a possessor in good faith" (citing De Buen: 241 Colin & Capitant 1008; 1 Bonet 234) [3] and cites the long unbroken line of decisions of the Court of Appeals and of this

Court upholding the import of the broader language of the codal article in question.

Indeed, if our legislature had intended to harrow the scope of the term "unlawfully deprived" to "stolen" as advocated by Tolentino, it certainly would have adopted and used such a narrower term rather than the broad language of article 464 of the old Spanish Civil Code with its long-established and accepted meaning in accordance with our jurisprudence.

Petitioner's contentions at bar had long been disposed of in the Court's 1911 decision of Arenas vs. Raymundo,[4] per Mr. Justice Florentino Torres, reiterating the doctrine of the earlier cases and holding that:

"Even supposing that the defendant Raymundo had acted in good faith in accepting the pledge of the jewelry in litigation, even then he would not be entitled to retain it until the owner thereof reimburse him for the amount loaned to the embezzler, since the said owner of the jewelry, the plaintiff, did not make any contract with the pledgee, that would obligate him to pay the amount loaned to Perello, and the trial record does not disclose any evidence, even circumstantial, that the plaintiff Arenas consented to or had knowledge of the pledging of her jewelry in the pawnshop of the defendant.

"For this reason, and because Concepcion Perello was not the legitimate owner of the jewelry which she pledged to the defendant Raymundo, for a certain sum that she received from the latter as a loan, the contract of pledge entered into by both is, of course, null and void, and, consequently the jewelry so pawned can not serve as security for the payment of the sum loaned, nor can the latter be collected out of the value of the said jewelry.

"Article 1857 of the Civil Code prescribes as one of the essential requisites of the contracts of pledge and of mortgage, that the thing pledged or mortgaged must belong to the person who pledges or mortgages it. This essential requisite for the contract of pledge between Perello and the defendant being absent as the former was not the owner of the jewelry given in pledge, the contract is as devoid of value and force as if it had not been made, and as it was executed with marked violation of an express provision of the law, it can not confer upon the defendant any rights in the pledged jewelry, nor impose any obligation toward him on the part of the owner thereof, since the latter was deprived of her possession by means of the illegal pledging of the said jewelry, a criminal act.

"Between the supposed good faith of the defendant Raymundo and the undisputed good faith of the plaintiff Arenas, the owner of the jewelry, neither law nor justice permit that the latter, after being the victim of embezzlement, should have to choose one of the two extremes of a dilemma, both of which, without legal ground or reason, are injurious and prejudicial to her interests and rights, that is, she must either lose her jewelry or pay a large sum received by the embezzler as a loan from the defendant, when the plaintiff Arenas is not related to the latter by any legal or contractual bond out of which legal obligations arise.

* * * * *

"The business of pawnshops, in exchange for the high and onerous interest which constitutes its enormous profits, is always exposed to the contingency of receiving in pledge or security for the loans, jewels and other articles that have been robbed, stolen, or embezzled from their legitimate owners; and as the owner of the pawnshop accepts the pledging of jewelry from the first bearer who offers the same and asks for money on it, without assuring himself whether such bearer is or is not the owner thereof, he can not, by such procedure, expect from the law better and more preferential protection than the owner of the jewels or other articles, who was deprived thereof by means of a crime and is entitled to be excused by the courts.

"Antonio Matute, the owner of another pawn-shop, being convinced that he was wrong, re-frained from appealing from the judgment wherein he was sentenced to return, without redemption, to the plaintiffs, another jewel of great value which had been pledged to him by the same Perello. He undoubtedly had in mind some of the

previous decisions of this court, one of which was against himself."

By the same token, the contention that the owner may recover the lost article of which he has been unlawfully deprived without reimbursement of the sum received by the embezzler from the pawnshop only after a criminal conviction of the embezzler, is to add a requirement that is not in the codal article and to unduly prejudice the victim of embezzlement, as pointed out by the Court in *Arenas*, *supra*.

The civil action that the owner must resort to for the recovery of his personal property of which he has been unlawfully deprived as against the possessor (where the latter refuses to honor the claim, presumably on same valid doubts as to the genuineness of the claim) gives the possessor every adequate protection and opportunity to contest the owner's claim of recovery. The owner must therein establish by competent evidence his lawful claim, and show to the court's satisfaction his lawful ownership of the article claimed and that he had been unlawfully deprived thereof.

I therefore find no reason to set aside the long settled interpretation given by our jurisprudence to article 559 (formerly article 464) of our Civil Code in accordance with its clear and unambiguous language, as reaffirmed in the case at bar.

[1] Italics in cited article supplied.

[2] Tolentino's Civil Code, Vol. II, p. 265, emphasis copied.

[3] *Idem*; pp. 262-263.

[4] 19 Phil. 47, italics supplied.

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