

YU BAN CHUAN, PLAINTIFF AND APPELLANT, VS. FIELDMEN'S INSURANCE CO., INC., ET AL., DEFENDANTS AND APPELLANTS.*G.R. No. L-19851. June 29, 1965*

Ponente: REYES, J.B.L., J.

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Direct appeal by both the plaintiff and the defendants from a decision of the Court of First Instance of Manila, in its Civil Case No. 46166, sentencing the defendants Fieldmen's Insurance Co., Inc. and Paramount Surety and Insurance Co., Inc., to pay the plaintiff, Yu Ban Chuan, the sum of P200,000 and P140,000, respectively, with interest at the legal rate and costs.

The following facts are uncontroverted: Sometime in the later part of March, 1959, plaintiff Yu Ban Chuan began his business enterprise under the name of "CMC Trading", which was engaged in the wholesale dealing in general merchandise and school supplies, and was first situated at 612 Nueva Street, Manila; that, while at this place, the plaintiff insured against fire the stock of merchandise contained therein with defendant Fieldmen's Insurance Co., for which the latter issued, on 14 December 1959, an "open" policy limiting the insurer's liability to the amount of P200,000 for a period of one (1) year; that plaintiff again insured against fire the same stock of merchandise covered by Fieldmen's policy with defendant Paramount Surety & Insurance Co., being also issued, on 7 January 1960, an "open" policy limiting liability thereunder to P140,000 for a one-year period; that, on 7 January 1960, Fieldmen's agreed to transfer the coverage of its insurance policy to plaintiff's store at 680 Muelle de Binondo, Manila, to which plaintiff transferred his business establishment on the 15th or 16th of January 1960; that on 21 January 1960, Paramount also agreed to have the coverage of its insurance policy transferred to the same new premises and acknowledged the existence of its co-insurance with Fieldmen's; that on 23 January 1960, Fieldmen's also acknowledged its co-insurance with Paramount; and that on 31 January 1960, while both insurance policies were in full force and effect, plaintiff's business establishment at 680 Muelle de Binondo, Manila, was totally destroyed by fire.

The next day after the occurrence of the fire, plaintiff verbally notified the respective agents of the defendants-insurers of such incident; and on the same day, 1 February 1960, plaintiff and H. H. Bayne Adjustment Co. and Manila Adjustment Co., adjusters of defendants Fieldmen's and Paramount, respectively, executed "non-waiver" agreements for the purpose of determining the circumstances of the fire and the value or amount of loss and damage to the merchandise insured under said policies. Pursuant to such agreements, H. H. Bayne Adjustment Co. sent a letter dated 2 February 1960 to plaintiff, and Manila Adjustment Co. sent its letter, dated 6 February 1960, requiring the plaintiff to submit certain papers and documents. On 8 February 1960, plaintiff gave written notice of the occurrence of the fire to the defendants, and, in answer to the letters of the adjusters, plaintiff submitted, on 24 February 1960, his separate formal fire claims, together with some of the supporting papers required therein. Because of plaintiff's non-compliance or failure to submit the required documents and the adjusters' demand in subsequent letters that the insured submit additional papers, the adjusters and plaintiff engaged in an exchange of communications, until finally the defendants rejected plaintiff's claims,

and denied liability under their respective policies, evidently upon their respective adjusters' recommendations.

The plaintiff commenced suit in the Court of First Instance of Manila (Civ. Case No. 46166), and the defendants answered the complaint with identical special defenses, to wit: (1) insured's failure to prove the loss claimed; (2) false and fraudulent claim; and (3) arson caused not independent of the will of the insured; and counterclaims for the annulment of the policies. After trial, the court below upheld the claim of the plaintiff, but refused to award damages or interest at more than the legal rate. Both parties appealed.

In proving the value of his loss, the plaintiff relied upon a merchandise inventory as of 31 December 1959, which he had allegedly submitted on 15 January 1960 to the Bureau of Internal Revenue. The inventory reflected the total value of stocks of the CMC Trading at 680 Muelle de Binondo, Manila, at P328,202.67. The plaintiff claims purchases for the month of January 1960 in the amount of P34,505.08 and sales in the amount of P12,000, thus the resulting balance of the stocks allegedly burned was estimated by the plaintiff to be P350,707.75.

The fact of the filing of the inventory as of 15 January 1960 should be considered as true, since there is no evidence to the contrary. The lack of an initial of the receiving clerk in the rubber stamp indicating the receipt of the document by the BIR office on 15 January 1960, or that the receiving stamps were within the access of just anybody who visits the said office because the stamps just lie around on the employees' desks, while showing the lack of better administrative system, do not necessarily show the falsity of the receipt of the inventory as of the date stamped therein, and as certified by the chief of the administrative division.

The court *a quo*, however, committed error in accepting as true the actual existence at the burned premises of the stocks mentioned in the inventory. Six (6) of the many copies of the invoices submitted by the plaintiff to the adjusters uncover a clear case of fraud and misrepresentation which avoid the insurer's liability as per condition No. 13 of Fieldmen's policy No. 15 HO 7756 and Paramount's policy No. 3164. These five invoices alone inflate the supposed stocks by P248,370.00. The purchase invoice from Western Pacific Industrial Development Co. (Exh. "J-15") for powder puffs, ballpen filler, rubber band and ballpen plastic body totalling P76,525.00 was denounced as fake by the former manager, Pablo S. Sison, and he denied that the signature appearing thereon is his. His testimony that this company does not deal in the above-named merchandise is corroborated by the letter-head of the company's stationery, and the invoice itself, that it is an "operator of forest concessions". On sight, the exhibit excites incredulity—what should a logging company be doing with rubber bands or powder puffs?

The invoice from Victoria Commercial Corporation (Exh. "J-18") for P33,800.00 is, likewise, dubious. On its face, it shows that the address of the company is "308 Trade & Commerce Building, J. Luna, Manila, Philippines", but a check by adjuster Mario Santos was negative, showing that no company by that name was registered by the Securities and Exchange Commission (Exh. "18-Paramount"). The superintendent of the building testified that there had never been a tenant by that name.

Again, the MJC Trading Enterprise's invoice for P37,176.00 (Exh. "J-20", Exhibit Colder, fol. 97) indicates the company's address to be "308 T & C Building, J. Luna, Manila", but there is no such room in the building mentioned nor any such company registered with the Securities and Exchange Commission (Exh. "18-Paramount").

Another fictitious invoice is that supposedly issued by Cosmopolitan Commercial Enterprises for P37,800.00 (Exh. "J-19") for sales of "mechanical pencil plastic body" fountain pens, and tape measures. This establishment is a single proprietorship belonging to Trinidad M. Lim; it is not engaged in the kind of merchandise purportedly sold, as per the invoice, nor issue this kind of invoice, nor the signature as that of Mrs. Lim appearing thereon genuine, according to the husband of the owner, Benjamin Chua Meer, who manages the enterprise. The fact that

Mrs. Lim did not testify does not make the invoice any less false; at least Meer should know and recognize his wife's signature.

There are two (2) invoices supposedly issued by Nelina Trading (Exhs. "N-2" & "N-3"), on 2 October 1959 and 17 October 1959, respectively, for purchases aggregating P68,069.00. A check at the company's supposed address failed to show the existence of the company, and the re-cords of the Bureau of Commerce (Exh. 20-a Paramount) show that it went out of business on 13 April 1959.

The plaintiff, Yu Ban Chuan, adopted a uniform, too uniform, in fact, to be believed, explanation for all the invoices: that he did not buy the merchandises at the companies' addresses but bought them from agents who brought the goods to him; that the originals of the invoices were burned and that he requested for true copies from the agents whom he met casually in the streets after the fire and these agents delivered the exhibits to him; but he did not remember or know the names of these agents, nor did he know their whereabouts. In other words, he wants the court to believe also that these agents performed a vanishing act after each one of them had turned in the copy of each invoice to the plaintiff.

It will be noted that the plaintiff transferred to his new business address at 680 Muelle de Binondo, Manila, on 15 or 16 January 1960, but he offered no satisfactory explanation on the purported dates of the following exhibits:

An invoice (Exh. "Lr-29") from Standard Manufacturing Company for P6,750.00 is dated 10 September 1959, but the address of the purchaser CMC Trading, is shown as already at 680 MueMe de Binondo;

Another invoice from the same company (Exh. "1-40") is dated 14 December 1959, but the CMC Trading appears as at its new location;

The same is true with still five (5) more invoices (Exhs. D, I-31, I-41, I-28 & I-27) from the company, all bearing dates before the transfer of the CMC Trading to C80 Muelle de Binondo.

The plaintiff adheres to the inventory as the immaculate basis for the actual worth of stocks that were burned, on the ground that it was made from actual count, and in compliance with law. But this inventory is not binding on the defendants, since it was prepared without their intervention. It is well to note that plaintiff had every reason to show that the value of his stock of goods exceeded the amount of insurance that he carried. And the inventory, having been made prior to the fire, was no proof of the existence of these goods at the store when the fire occurred. True, there were merchandises that were actually destroyed by fire (Exhibits 2, 2-a, 2-b, 3, R-a, 4, 4-a, 4-b-Paramount). But when fraud is conceived, what is true is subtly hidden by the schemer beneath proper and legal appearances, including the preparation of the inventory.

Shielding himself under Section 82 of the Insurance Act, the plaintiff asserts that in submitting his proof of loss he was "not bound to give such proof as would be necessary in a court of justice". The assertion is correct, but that does not give him any justification for submitting false proofs. Their falsity is the best evidence of the fraudulent character and the unmeritoriousness of plaintiff's claim.

The filing of collection suits for unpaid purchases against Yu Ban Chuan, however, valid these claims may be, do not legitimize his fraudulent claim against the insurers in the present case, nor show that the goods allegedly delivered were at the store when the fire occurred. It is markworthy that in some instances (Exhs. L-6, L-8, L-10) the debts are only attested by certifications from the creditors.

The plaintiff, Yu Ban Chuan, is a Chinese who came to this country in 1948. His combined income from 1956 through 1958 amounted to only P10,000. Yet in 1959 he appeared as running a business of his own worth almost half a million pesos. The source of the investment, according to him, were unsecured loans in the fantastic sum of P224,000.00. From these circumstances, and the facts hereinbefore stated, it is plain that no credence can be given

to plaintiff's claims.

For the foregoing reasons, the appealed judgment is hereby reversed, and the appellee's action dismissed, with costs against the plaintiff-appellant Yu Ban Chuan.

In view of the conclusions reached, the plaintiff's appeal against the non-award of damages to him must be necessarily dismissed.

Bengzon, C.J., Bautista Angelo, Concepción, Paredes, Dizon, Regala, Makalintal, Bengzon, J.P., and Zaldivar, JJ., concur.

Judgment reversed.

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