

LETECIA ESPINOSA, PLAINTIFF-APPELLANT, VS. MERCEDES NAVA, DEFENDANT-APPELLEE.

Ponente: LAGURA-YAP, J.

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LAGURA-YAP, J.:

The present appeal seeks to nullify the June 14, 2004 Decision[2] rendered by Regional Trial Court, Branch 23, Iloilo City (RTC) in Civil Case No. 21511 for Annulment of Contract, Declaratory Relief, Interpleader and Damages.

THE FACTS

According to Appellant[3]

Sometime in July 1993, appellant Espinosa went to appellee Nava's house to borrow P30,000.00 from Melanie Batislaong, who together with Nava, are engaged in the lending business. As a condition, Espinosa was made to sign four blank documents, including the trust receipt,[4] which supposedly look like this:

RECEIVED from _____, the following items to wit:

1. _____ P _____
2. _____ P _____
3. _____ P _____
4. _____ P _____
5. _____ P _____
6. _____ P _____
7. _____ P _____

T O T A L _____

It is hereby understood that the above-described items were entrusted to me by _____ for sale to other third persons within _____ days from date with the obligation to return the said items to _____ in case no sale is made, within 5 days.

IN WITNESS WHEREOF, I have hereunto set my signature this _____ of _____ 199__ at Iloilo City, Philippines.

(Signed)
Leticia Espinosa
21-A de la Rama St.,
Iloilo City

Signed in the presence of:

SUBSCRIBED AND SWORN to before me this _____ day of _____, ____ in the City of Iloilo, Philippines. Affiant exhibited to me his/her residence certificate No. _____, issued on _____ at _____, Philippines.

Espinosa was also made to issue twelve post-dated checks with Batislaong as payee. Four checks were encashed by Nava on their due dates. Later, Nava and Batislaong had a falling out. Batislaong ordered the drawee bank not to accept the eight remaining post-dated checks for encashment. Meanwhile, Nava asked Espinosa to make her (Nava) as payee of the remaining eight checks. Espinosa did not agree. This did not sit well on Nava, thus, she filed a criminal case for estafa, with the blank trust receipt as basis. Nava falsified it to make it appear that Espinosa received from her assorted jewelries amounting to about P1,200,000.00.

According to Appellee[5]

Nava denied giving Espinosa a loan amounting to P30,000.00. She is not privy to the transaction that Espinosa entered into with Batislaong. She and Espinosa had a different transaction which was the sale of jewelries.

On July 29, 1993, Espinosa went to Nava bringing with her a lady's ring. Espinosa wanted Nava, the former's financier in her jewelry business, to finance or "buy" the ring so that it can be sold again at a profit. Nava agreed; she issued a check amounting to P260,000.00 to Espinosa, who in turn gave her the lady's ring.

On July 30, 1993, Espinosa again returned to Nava, this time getting eight pieces of assorted jewelries worth P1,335,000.00. The jewelries will be supposedly sold within three days, and returned within the same time if unsold. As evidence, Nava made Espinosa sign a handwritten receipt (Exhibit "9"),[6] which states:

July 30, 2014

Received from Mercedes Nava, the following jewelries:

1. Assorted jewelry 22 K gold 240 grams at P500.00/grms worth

P 120,000.00

2. One lady's ring emerald cut brill solo 2.5 karat worth

P 280,000.00

3. One set ring & earring marquez w/ 3 pcs solo diamond stone more or less 65 points each stone worth

P 150,000.00

4. One lady's ring solo round cut brill. 85 points worth

P 60,000.00

5. One set ring & earring rositas style w/ 21 pcs diamond stone more or less 25 points up each stones worth

P 65,000.00

6. One men's ring round cut brill. 4.5 karat worth

P 500,000.00

7. One bracelet brill with 35 stone tennies style worth

P 60,000.00

8. One set ring & earring pearl with 45 stones more or less 1.5 karat worth

P 100,000.00

T O T A L

P1,335,000.00

to be sold or to be returned if not sold within 3 days.

(Signed)

Letecia L. Espinosa

21-A de la Rama St.

After three days, on August 3, 1993, Espinosa returned to Nava two jewelries,[7] while retaining the six others. Espinosa told Nava that the six items will be sold but she needed sixty more days because her (Espinosa's) prospective buyer, her balikbayan friend, will bring it abroad. Nava did not inquire as to the identity of Espinosa's friend. At first, Nava was apprehensive to entrust Espinosa the jewelries for a much longer period since her usual transaction with Espinosa involved only amounts up to P100,000.00, but she eventually acceded to the latter's proposal. To protect herself, Nava had Espinosa sign the subject trust receipt (Exhibit "8").[8] It reads:

RECEIVED from MERCEDES NAVA the following items to wit:

1. Assorted jewelry 22 K gold 240 grams at P500.00/grms worth

P 120,000.00

2. One lady's ring emerald cut brill solo 2.5 karat worth

P 280,000.00

3. One lady's ring solo round cut brill. 85 points worth

P 60,000.00

4. One men's ring round cut brill. 4.5 karat worth

P 500,000.00

5. One bracelet brill with 35 stone tenies style worth

P 60,000.00

6. One set ring & earring pearl with 45 stones more P 100,000.00 set or less 1.5 karat worth
P 100,000.00

T O T A L

P 1,120,000.00

It is hereby understood that the above-described items were entrusted to me by MERCEDES NAVA for sale to other third persons within 60 days from date with the obligation to return the said items to MERCEDES NAVA in case no sale is made, within 5 days.

IN WITNESS WHEREOF, I have hereunto set my signature this 3[rd] day of August 1998 at Iloilo City, Philippines.

(Signed)
Leticia Espinosa
21-A de la Rama St.,
Iloilo City

Signed in the presence of:

(SIGNED)
FLOR BABILLON

(SIGNED)

SUBSCRIBED AND SWORN to before me this 3[rd] day of August, 1998 in the City of Iloilo, Philippines. Affiant exhibited to me his/her residence certificate No. 10044705 issued on March 15, 1993 at Iloilo City, Philippines.

(Signed)
SANTOS B. AGUADERA
Notary Public
until DECEMBER 31, 1993
PTR NO. 9214485
ISSUED AT ILOILO CITY
ISSUED ON 1-11-93

Lina Aguero and Flor Pavillon, Nava's employees acted as witnesses to the document. Nava wanted a certain Atty. Acebuque, her retainer, to notarize it but since he was not around, he asked Atty. Santos Aguadera instead. Atty. Aguadera went to Nava's house where he notarized the document in the presence of Nava, Espinosa and the rest of the witnesses.

After two months, Nava called Espinosa for an update on their transaction but the latter asked for more time. Subsequent demands by Nava, both verbal and written, for the delivery of the proceeds of the sale and/or return of

the jewelries proved unsuccessful. Thus, she filed the criminal complaint for estafa against Espinosa.

THE CASE

On December 6, 1993, Espinosa filed the Complaint[9] against Nava and Batislaong. She prayed that Nava and Batislaong interplead against each other because the two have been demanding from her, payments for the undeposited post-dated checks. She also prayed that the trust receipt be declared null and void, and that the transaction between Nava and Batislaong be declared as a loan.

On January 26, 1994, Nava filed her Answer.[10] She denies any involvement to the loan which Espinosa obtained from Batislaong. She also insisted that the trust receipt was valid having been voluntarily signed by Espinosa when she received the assorted jewelries.

On March 14, 1994, Espinosa filed the Amended Complaint.[11] She added as cause of action, the fact that sometime in July or August, 1993 and, again, in September, 1993, Nava issued checks amounting to P260,000.00 and P60,000.00, respectively, which was dishonored for insufficiency of funds.

Records show that Nava did not file an answer to the amended complaint, thus, the RTC treated the answer to the original complaint as the answer to the former.[12]

Meanwhile, Batislaong was declared in default for failure to file an answer within the reglementary period.

During pre-trial the following issues were agreed upon:

- Whether or not the plaintiff has received jewelries from defendant Nava in the amount of P1,120,000.00?
- Whether or not the Trust Receipt attached as Annex “A”[13] of the complaint was duly executed by plaintiff Espinosa?
- To whom did plaintiff Espinosa obtain a loan of P30,000.00?
- Whether or not the trust receipt signed by the plaintiff in favor of defendant reflects the true and genuine transaction of the parties?
- Whether or not the parties are entitled to damages?[14]

Trial ensued.

On June 14, 2004, the RTC issued the assailed Decision the dispositive portion of which reads:

WHEREFORE, premises considered, the above-entitled case is DISMISSED as it is hereby ordered DISMISSED. No costs.

Hence, this appeal.[15]

ASSIGNMENT OF ERRORS

I.

THE RTC ERRED IN NOT HOLDING THAT THE TRANSACTION PURPORTEDLY FOR THE DELIVERY OF JEWELRIES TO BE SOLD ON COMMISSION BETWEEN THE PARTIES WAS SIMULATED AND THE SO CALLED “TRUST RECEIPT” WAS FALSIFIED;

II.

THE RTC ERRED IN NOT AWARDING APPELLANT THE AMOUNT OF P320,000.00, REPRESENTING THE TWO CHECKS, PLUS INTEREST AND DAMAGES.

The RTC did not give credence to Espinosa's version of the events and upheld the validity of the trust receipt.

Espinosa protests. She insists that Nava could not have entrusted to her jewelries because Nava was only engaged in money lending and she does not have any business permit to sell jewelries. Also, Nava admitted that she bought jewelry from Espinosa. Espinosa says that this shows the incongruity of Nava's claim because she (Nava) is supposedly selling not buying jewelries.

In her testimony, Nava said that she gave the jewelries to Espinosa so that these can be sold to her (Espinosa's) balikbayan friend who was bringing it abroad. When asked if Nava inquired about the identity of the balikbayan friend, Nava testified that she did not. Espinosa says that Nava's failure to ascertain the identity of the balikbayan friend is unbelievable considering the value of the jewelries. This allegedly makes Nava's testimony highly suspect.

Further, Espinosa reiterates that the trust receipt was blank when she affixed her signature. She declares that she signed it because it was one of the requirements to get a loan. Nava falsified the trust receipt to make it appear that she (Nava) gave Espinosa jewelries, after she (Espinosa) refused to make Nava the payee of the remaining eight checks.

Finally, Espinosa argues that in her Amended Complaint, she alleged that Nava issued two checks with insufficient funds amounting to P320,000.00. This was never denied by Nava, thus, the latter should be ordered to pay the value of the said checks with interest.

THE COURT'S RULING

The appeal is WITHOUT MERIT.

As is usual in cases of this nature, the parties present conflicting versions of the events. The question is, which version is more credible.

After a close examination of the records, We find the version of Nava more believable.

First. Espinosa is a businesswoman. She operates a canteen and is engaged in transactions involving jewelries.[16] Given her business acumen, We find it rather improbable that she would sign a blank document despite the risk it entails, as obviously, Nava can just fill it up with anything. Espinosa is presumed to take ordinary care of her concerns,[17] and that she intended the ordinary consequences of her voluntary act.[18] It is also presumed a private transaction was fair and regular[19] and that the ordinary course of business has been followed.[20] It certainly needs more than Espinosa's lone and self-serving testimony that she signed the trust receipt in blank to overcome all these presumptions.

Second. There is nothing on the face of the trust receipt to arouse any suspicion of insertion or forgery. It is significant to note that the document comes with a jurat. There is a presumption that official duty has been regularly performed with respect to the jurat, wherein the notary public attests that it was subscribed and sworn to before him or her on the date mentioned thereon. Official duties are disputably presumed to have been regularly performed. To overcome the presumption of regularity, clear and convincing evidence must be presented.[21] The burden of proof to overcome the presumption of due execution of a notarized document lies on the party contesting the execution.[22] Espinosa failed to discharge this burden. Nava testified that Espinosa signed the trust receipt before Atty. Aguadera, the notary public.[23] Her testimony was candid and straightforward. Viewed against this positive declaration, Espinosa's negative and self-serving assertions that she signed the document in blank, crumbles and become unworthy of belief.[24]

Third. Espinosa alleged she obtained a loan amounting to P30,000.00 from Nava and Batislaong. As a condition,

she was made to issue twelve post-dated checks[25] and sign four blank documents including the trust receipt.[26] Given that the transaction between the parties was a loan, and Espinosa already issued post-dated checks, We find no rhyme or reason why Nava would still require Espinosa to sign the blank trust receipt. Curiously, the said document contains a statement acknowledging the receipt of items, and another statement obligating the sale of such items to third persons within a stipulated period, and its return, within five days, should it be unsold. It befuddles the mind, why, in a loan agreement, Nava would require Espinosa to sign a blank document involving the receipt, sale and return of items. A promissory note would have been a more fitting document to go with the post-dated checks. The trust receipt is simply out of place in the loan transaction.

What is more befuddling to Us is that Espinosa, being the businesswoman that she is, signed this blank document. The circumstances, as alleged by Espinosa appears too contrived to inspire belief. Evidence to be believed, must not only proceed from the mouth of a credible witness, but it must be credible in itself - such as the common experience and observation of mankind can approve as probable under the circumstances. We have no test of the truth of human testimony, except its conformity to our knowledge, observation, and experience. Whatever is repugnant to these belongs to the miraculous and is outside of judicial cognizance.[27]

Fourth. Espinosa said she issued twelve post-dated checks with Batislaong as payee. When Batislaong and Nava had a falling out, Batislaong allegedly ordered the bank not to accept the checks for encashment. Nava supposedly demanded that she be made as payee instead and when Espinosa did not accede, she (Nava) falsified the trust receipt to make it appear that Espinosa committed estafa. We find this story to be beyond belief. Batislaong was the original payee of the checks. In other words, she was the person to whom money was to be paid. We see no reason why she would voluntarily deny herself of the funds supposedly due to her by ordering the bank to stop payment. Again, evidence must be in conformity with common knowledge and should be consistent with the experience of mankind.[28]

Fifth. Espinosa tries heavily to disown the subject trust receipt executed on August 3, 1993, by arguing that she signed it in blank. However, she failed to impugn the handwritten document dated July 30, 1993, (Exhibit "9") [29] which she signed earlier. Exhibit "9," states that Espinosa received eight assorted jewelries from Nava. The said document is crucial since it would support Nava's narrative. To recall, Nava said that on July 30, 1993, Espinosa received from her eight pieces of assorted jewelries. This was embodied in the aforementioned Exhibit "9." On August 3, 1993, Espinosa returned to Nava two assorted jewelries while retaining the six others. As evidence, Nava had Espinosa signed the trust receipt. As can be readily seen, Exhibit "9," paints a complete picture of the transaction, and Espinosa's failure to discredit it punches a hole in her version of the events.

Espinosa argues that We should not believe the story that Nava entrusted to her assorted jewelries because Nava does not have any business permit to sell jewelries. Espinosa also contends that Nava's testimony that she bought a lady's ring from Espinosa is highly suspect since she (Nava) is the one supposedly selling jewelries.

The arguments deserve scant consideration.

In the first place, Nava did not, technically, buy the ring from Espinosa. As the financier, Nava paid for the lady's ring so that it can be resold again for a profit.[30] We find nothing unbelievable about this since this is an all too common business arrangement.

Anent Nava's lack of permit, suffice it to say that if indeed this is true, the most that it could do is make Nava liable for violation of applicable laws. However, such circumstance cannot make her testimony unworthy of belief, because the absence of a permit does not prevent an enterprising person, such as Nava, from engaging in the business that she wants.

Espinosa also contends Nava's story is highly suspicious since she did not inquire as to the identity of Espinosa's prospective buyer - her balikbayan friend.

Again, the contention deserves scant consideration.

It is hardly surprising that Nava did not ask the identity of Espinosa's balikbayan friend. As testified by Nava, it is their culture as jewelers to transact only with their fellow jewelers. Their deals are made secret.[31] Nava was doing business only with Espinosa. She exercised prudence and diligence by making Espinosa sign the trust receipt. This was enough to protect her. From a practical business standpoint, Espinosa's transaction with her balikbayan friend or any other third person, for that matter, would be of no concern to Nava.

Espinosa argued that she signed the trust receipt knowing that it was blank because it was one of the requirements to get a loan.

Granting arguendo that this is true, then Espinosa has only herself to blame for the predicament that she is now in. Nava never forced or intimidated her into signing the alleged trust receipt.[32] Espinosa knew it was blank. As a person of reasonable intelligence, she knew the repercussions of her actions. She must now suffer its consequences. At this point, it is apt to cite the exhortation of the Supreme Court in *Vales v. Villa*,[33] made almost a century ago, but still relevant to this day:

x x x The law furnishes no protection to the inferior simply because he is inferior any more than it protects the strong because he is strong. The law furnishes protection to both alike - to one no more or less than the other. It makes no distinction between the wise and the foolish, the great and the small, the strong and the weak. The foolish may lose all they have to the wise; but that does not mean that the law will give it back to them again. 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. x x x

Finally, Espinosa argues that Nava should be made to pay P320,000.00, the value of the checks, which the latter issued without sufficient funds.

We do not agree.

Although this issue was alleged by Espinosa in her amended complaint, she never raised it in her Pre-Trial Guide.[34] Expectedly, this was not one of the issues defined in the Pre-Trial Order.[35] We note that the RTC proceeded with the trial without modifying the order. Espinosa did not challenge it. By her silence, she acquiesced to the order. It should control the course of the case,[36] and Espinosa cannot now raise the matter regarding the two checks.

Pre-trial is primarily intended to insure that the parties properly raise all issues necessary to dispose of a case. The parties must disclose during pre-trial all issues they intend to raise during the trial, except those involving privileged or impeaching matters. Although a pre-trial order is not meant to catalogue each issue that the parties may take up during the trial, issues not included in the pre-trial order may be considered only if they are impliedly included in the issues raised or inferable from the issues raised by necessary implication. The basis of the rule is simple. The parties are bound by the delimitation of the issues during the pre-trial because they themselves agreed to the same.[37]

WHEREFORE, the appeal is DENIED. The assailed June 14, 2004 Decision is AFFIRMED in toto.

SO ORDERED.

Ingles,[1] and Lopez, JJ., concur.

[1] Acting Chairperson, in lieu of Justice Edgardo delos Santos (who is on wellness leave), per Office Order No. 13-14-GTI dated June 14, 2014.

[2] Records, p. 797.

[3] Rollo, pp. 106-108.

[4] Exhibit "A," records, p. 8.

[5] TSN, Nava, Direct Examination, October 19, 1999, pp. 27-54.

[6] Exhibit "9," records, p. 767.

[7] Nos. 3 and 5 of Exhibit "9."

[8] Records, p. 766.

[9] Records, p. 1.

[10] Records, p. 17.

[11] Records, p. 54.

[12] Records, p. 108.

[13] Also referred as "Exhibit `8.'"

[14] Records, p. 310.

[15] Records, p. 807.

[16] TSN, June 1, 1998, p. 29.

[17] Section 2(a), Rule 131 of the Revised Rules of Evidence.

[18] Section 3(c), Id.

[19] Section 3(p), Id.

[20] Section 3(q), Id.

[21] See Torres-Gomez v. Codilla, Jr., et al., G. R. No. 195191, March 20, 2012.

[22] See Torres-Gomez v. Codilla, Jr., et al., supra.

[23] TSN, October 19, 1999, p. 49.

[24] Pan Pacific Industrial Sales Co., Inc. v. Court Of Appeals, et al., G.R. No. 125283, February 10, 2006.

[25] TSN, January 28, 1997, p. 44.

[26] TSN, January 28, 1997, p. 13.

[27] People v. Mirandilla, Jr., G.R. No. 186417, July 27, 2011.

[28] *People v. Duavis*, G.R. No. 190861, December 07, 2011.

[29] Exhibit “9,” records, p. 767. Note: Espinosa objected to the offer of Exhibit “9,” since it is merely a photocopy (Records, p. 771). On March 28, 2001, the RTC issued an order admitting conditionally the said exhibit, subject to the presentation of the original or proof of the original’s loss. Records do not disclose the RTC’s final ruling on the matter. As it is, Exhibit “9,” although admitted conditionally, has not been excluded, thus, it can still be considered by this Court. It is also of note that in her testimony (TSN, October 19, 1999, p. 34), Nava said that she returned to Espinosa the original copy of the said Exhibit “9,” because the transaction was only for three days.

[30] TSN, October 19, 1999, pp. 28-32.

[31] See Rollo, p. 125.

[32] TSN, January 28, 1997, p. 28.

[33] 35 Phil. 769 (1916), cited in *Ocampo v. Land Bank Of The Philippines, et al.*, G.R. No. 164968, July 03, 2009.

[34] Records, p. 291.

[35] Records, p. 310; See also Footnote No. 12, *supra*.

[36] SEC. 7. Record of pre-trial. – The proceedings in the pre-trial shall be recorded. Upon the termination thereof, the court shall issue an order which shall recite in detail the matters taken up in the conference, the action taken thereon, the amendments allowed to the pleadings, and the agreements or admissions made by the parties as to any of the matters considered. Should the action proceed to trial, the order shall explicitly define and limit the issues to be tried. The contents of the order shall control the subsequent course of the action, unless modified before trial to prevent manifest injustice.

[37] *Licomcen, Inc. v. Abainza*, G.R. No. 199781, February 18, 2013.

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