

**TEOFILA DEL ROSARIO DE COSTA AND BERNARDINO COSTA,
PLAINTIFFS AND APPELLANTS, VS. LA BADENIA, A CORPORATION,
DEFENDANT AND APPELLEE.**

G.R. No. 10099. January 27, 1916

Ponente: CARSON, J.

Read online (full-text search, related cases, audio case brief): <https://batas.org/library/g-r-no-10099/>

CARSON, J.:

The plaintiffs, Teofila del Rosario de Costa and her husband, Bernardino Costa, brought this action to recover from the defendant corporation the sum of P1,795.25 a balance alleged to be due Teofila del Rosario de Costa as the agent of the defendant corporation for services rendered and expenses incurred, in the sale of its products. The defendant denied the claim and set up counterclaim for P55.43. Judgment having been rendered in favor of the defendant, the record is now before us on plaintiffs' bill of exceptions.

The plaintiffs are residents of Legaspi, Albay, and the defendant corporation is engaged in the manufacture and sale of tobacco products with its head office in the city of Manila. The record shows that in the year 1911 the defendant corporation, a new concern, inaugurated an extensive selling campaign for the purpose of introducing its products to the retail trade. Celestino Aragon, a general agent of the defendant corporation, was in charge of this campaign in Albay, Sorsogon, and other provinces in the southern end of Luzon. He established a central distributing agency or depot at Legaspi with the plaintiff, Teofila del Rosario de Costa, nominally in charge, though her husband, Bernardino de Costa appears to have been the actual manager of the agency. The business relations between the plaintiffs and the defendant extended from February 1, 1911, to March 24, 1912, and during this time no settlement of their accounts was ever had. When Aragon, the general agent, came to Legaspi in 1911 he established his headquarters there and took up his residence with the plaintiffs, using the lower part of their house as a store room or depository for large quantities of cigarettes and cigars. He employed a number of persons as solicitors and paid their salaries; he paid the internal revenue fees incident to the conduct of the business in Legaspi, and also the rent of the building in which he lived with the plaintiffs and which he made use of as the general headquarters for the agency. The record shows that business amounting to more than P24,000 (wholesale) was done by the Legaspi agency from February 1, 1911, to March 24, 1912. All goods sent to Legaspi were charged by the head office at Manila against the general agent, Aragon, while on the books kept by Aragon these goods were charged against the plaintiffs, and as goods were withdrawn by himself, he credited the amount of the withdrawals to the account of the plaintiffs. The business at Legaspi appears to have been that of a distributing agency actively in charge of the plaintiffs but over which the general agent maintained a close supervision. Goods were withdrawn from the depository at Legaspi from time to time by the general agent for shipment to other points; goods were likewise withdrawn by plaintiffs and shipped to neighboring towns without any intervention on the part of the general agent. All accounts incident to the business were carried on the books of Aragon. The plaintiffs do not appear to have kept a separate set of books. The account as carried on the books of Aragon, the general agent, was between Teofila del Rosario de Costa and La Badenia, the defendant corporation. On March 24, 1912, the general agent had a settlement with the plaintiffs and acknowledged over his signature that these

books showed a balance in favor of the plaintiffs amounting to P1,795.25.

Plaintiffs' Exhibit B is a tabulated statement taken from the books of account kept by Aragon and shows in detail the whole course of the business at Legaspi from February 1, 1911, to March 24, 1912. In this statement goods received by the Legaspi agency from the factory in Manila are charged against Teofila del Rosario de Costa, while credits are given on various items, such as, withdrawals of goods from the depository at Legaspi shipped to other towns, remittances made to the head office in Manila, money paid over to the general agent, advertising expenses, commissions on sales, salaries of employees, and other expenses incident to the conduct of the business.

When this final settlement of accounts was had on the 24th of March, 1912, both Aragon and the plaintiff, Teofila del Rosario de Costa, confirmed it as a true statement of the account. The defendant corporation however, refused to pay over to plaintiffs the balance of P1,795.25, claiming that plaintiffs had been improperly allowed a credit of P1,850.68 which represented unpaid accounts due the business in Legaspi for cigars and cigarettes sold by it. If these uncollected claims are charged to the defendant corporation a balance is left in favor of plaintiffs amounting to P1,795.25; and if charged to plaintiffs there remains a balance in favor of the defendant corporation amounting to P55.43.

It is the contention of the defendant corporation that the plaintiffs were simply merchants who purchased the goods at fixed wholesale prices and sold them on their own account, and that they were never employed as their agents. On the other hand plaintiffs contend that they were the agents of the defendant corporation; that they received commissions on the sales made by the agency; and that they were authorized to extend a reasonable credit under the supervision of the general agent.

It is not clear from the record just what were the precise terms of the arrangement made by Aragon with the plaintiffs. It is not denied however, that Aragon was acting as the general agent of the defendant corporation and that as such he was invested with authority to inaugurate and carry out a selling campaign with a view of interesting the sale of the defendant's products, in the territory assigned to him. The record does not show what limitations, if any, were placed upon his powers to act for the corporation. The general conduct of the selling campaign intrusted to him was approved and commended by the head office, and judging from the amount of the sales the business appears to have been a very prosperous one for the corporation.

It appears further that the head office at Manila was fully informed of plaintiffs' relations with the general agent in extending the sales of its products. Plaintiffs made direct remittances to the head office in Manila and these remittances were credited to the account of the agency at Legaspi, and acknowledgment was made directly to the plaintiffs. Neither the head office nor Aragon appear to have made any distinction between the business done by Aragon and that done by the plaintiffs. The purchases, sales and remittances made by the plaintiffs do not seem to have been considered as those of an independent business concern, but rather as a part of the work of the Legaspi agency under the control and supervision of Aragon. The fact that the defendant corporation carried the Legaspi account in the name of the general agent, Aragon, and carried no account with the plaintiffs, would seem to negative the contention that plaintiffs were simply merchants purchasing their goods in Manila at wholesale and selling them locally on their own account.

The active management and participation of the plaintiffs in the conduct of the business at Legaspi are fully recognized in the following letters written by the assistant manager of the defendant corporation to one of the plaintiffs.

EXHIBIT A.

"MANILA, P. I., October 9, 1911.

"Mr. BERNARDINO COSTA, Legaspi, Albay.

"DEAR SIR: We have the pleasure of hereby acknowledging receipt of your two letters dated the 4th instant, in which we found enclosed two drafts, to wit:

"No. 528 c/ Ang Silong P200

"No. 1240.....c/ Smith, Bell & Co 980

"1,180

Which sum of one thousand one hundred and eighty pesos we have duly credited on the account current of Mr. Celestino Aragon.

"We also acknowledge receipt of the bill of lading for the eight packages you have forwarded to us, but to date we have not received said packages. As soon as we get them we will send you timely notice.

"We are, yours very sincerely,

"LA BADENIA, INC.,

"-----, Assistant Manager."

EXHIBIT B.

"Manila, P. I., Sept 19, 1911.

"Mr. BERNARDINO COSTA, Legaspi, Albay.

"DEAR SIR: We have the pleasure of hereby acknowledging receipt of your letter dated the 12th instant, of which we have made note.

"By the steamer Cebu we are sending, according to the attached invoice, 3 boxes of small cigars (cajas de tabaquitos) for the agency in your charge.

"We are, yours very sincerely,

"LA BADENIA, INC.,

"-----, Assistant Manager."

Several other letters received by the plaintiffs from the defendant corporation were offered in evidence, but the two letters just quoted are sufficient to show that the defendant was fully aware of plaintiffs' connection with the agency at Legaspi, and recognized them as agents of the company, and clearly did not consider them as independent merchants buying solely on their own account, but rather as subagents working under the supervision of the general agent, Aragon.

It seems equally clear that Aragon did not consider the plaintiffs as independent merchants operating on their own account, but rather as agents cooperating with him and working under his supervision. This fact is clearly borne out by the nature of the entries made in his books of account. A reference to that statement taken from the books of account shows that the plaintiffs were given credit on various items, such as advertising expenses, the free distribution of cigars and cigarettes for advertising purposes, freight and carriage charges on shipments to neighboring towns, and the like, and it does not seem at all likely that plaintiffs would have been allowed credit on such items if they had been conducting the business solely on their own account.

Aragon extended credit to certain purchasers of cigars and cigarettes and the entries made by him on his books of account show that he knew that the plaintiffs were also extending credit to some of the purchasers of the goods shipped from Legaspi. He approved the very items now questioned when as general agent of the defendant corporation he signed the statement of account showing a balance of P1,795.25 in favor of the plaintiffs. Aragon thereby admitted that he, at least, considered these outstanding claims as properly chargeable against the defendant corporation, and unless the plaintiffs had been specifically authorized by him to extend credit it seems certain that he would never have approved this balance in their favor.

It is contended that it is unreasonable that plaintiffs would have so large a balance in their favor, and that they are now merely seeking to saddle upon the defendant corporation a lot of unpaid accounts. In view of the fact that plaintiffs are only seeking to enforce the payment of a balance admitted by the general agent of the defendant corporation to be rightly due them, we fail to see how it can be reasonably urged that plaintiffs are attempting to saddle these unpaid claims on the defendant. The general agent who was in control of the Legaspi business, and who was fully conversant with all of its details, clearly recognized the right of the plaintiffs to have credit on their account for the amount of these unpaid claims. This agent had employed the plaintiffs to assist him in extending the sale of the defendant's products, and the defendant was well aware of this fact. Certainly the only reliable source of information as to what plaintiffs' account with the defendant corporation was, is to be found in the books kept by the general agent, Aragon. The defendant carried no account whatever with the plaintiffs, and having intrusted the entire management of the Legaspi business to Aragon, it can not now come into court and repudiate the account confirmed by him, unless it can show that he acted beyond the scope of his authority in making the arrangement he did with the plaintiffs. Aragon's powers as a selling agent appear to have been very broad, and there is no evidence in the record to indicate that he acted beyond his powers in conducting the business at Legaspi as he did; and there can be no doubt that plaintiffs had been authorized by him to extend credit on behalf of the agency. There is no other reasonable explanation of the entries made by Aragon in his books of account, and his approval of the balance in favor of the plaintiffs.

The lower court was of the opinion that the specific goods sold to the delinquent debtors, whose unpaid accounts' form the basis of this litigation, had already been paid for by the plaintiffs and that this was conclusive evidence that the plaintiffs were not acting as the agents of the defendant corporation, and that in effect, the purpose of this suit was to recover back money already paid for the goods purchased and sold by the plaintiffs. We find ourselves unable to agree with the conclusions of the trial court in this respect.

It appears that the plan under which the business was conducted was as follows: a shipment of cigars and cigarettes was made from the Manila office and charged against the account of the general agent, Aragon; these goods were deposited in the store room at Legaspi, and in the account carried by Aragon were charged against the plaintiffs. Withdrawals were made from the Legaspi stock by Aragon and the plaintiffs, and credit was given the plaintiffs for the amount of the withdrawals made by Aragon. Both Aragon and the plaintiffs drew on the Legaspi stock for advertising purposes, such as the free distribution of cigars and cigarettes, and plaintiffs were credited with the value of the goods so withdrawn. The stock on hand was being replenished from time to time by new shipments received from Manila. The plaintiffs made remittances to Manila which were credited to the account of the Legaspi agency and this account included not only the goods sold and withdrawn from stock by the plaintiffs, but also the goods withdrawn by Aragon. Thus evidently these remittances were not in payment of any particular shipments, but were simply payments on account and covered goods sold by Aragon as well as those sold by the plaintiffs. Remittances were doubtless made to Manila by Aragon and credited on the agency account in the same manner. Under this method of conducting the business a balance for or against the plaintiffs might well remain at any time, and such a balance would not be determined solely by the value of the goods withdrawn from stock by the plaintiffs, and the amount of the remittances made by them, but would be determined by the total value of the

stock of the Legaspi agency charged against the plaintiffs and the amounts allowed them as credits; these credits would include not only the remittances made to Manila, but also goods withdrawn by Aragon, and such other items as might constitute proper credits on the account. We do not therefore think it at all unreasonable that a balance should have remained in favor of the plaintiffs when the settlement was made, nor do we see that the existence of such a balance would necessarily indicate that the plaintiffs had overpaid their account with the defendant corporation.

It is further contended that the goods were charged to plaintiffs at wholesale prices, and that they were to have as profits any amounts received over and above the wholesale cost price on the goods sold by them, and it is urged that such an arrangement indicates that they were independent merchants doing business on their own account. Even granting that such was the arrangement made with the plaintiffs by Aragon, it does not necessarily follow that they were conducting an independent business on their own account. As already stated, the record does not disclose what were the precise terms of the arrangement made with the plaintiffs. The record does show however, that in many instances the plaintiffs were allowed commissions on sales made by them, but whether or not these were in addition to other profits allowed them the record does not show. Upon a careful examination of the whole record we are satisfied that plaintiffs were not conducting an independent business but were the agents of the defendant corporation operating under the supervision of the general agent, Aragon.

For the reasons set out we are of the opinion, and so hold, that plaintiffs are entitled to the reversal of the judgment appealed from and to a judgment against La Badenia, the defendant corporation, for the sum of P1,795.25, with legal interest thereon from August 5, 1914, the date of filing the complaint, until paid, and their costs in both instances.

Let judgment be entered in accordance herewith. So ordered.

Arellano, C. J., Torres, Johnson, Moreland, and Trent, JJ., concur.

ABOUT BATAS.ORG

Study smarter at BATAS.org

The Philippine bar review and law-school companion built around how your brain actually remembers.

The complete Philippine law library - free for everyone.

More than 100,000 Supreme Court decisions, Republic Acts, and executive issuances - full-text searchable, browsable by category and year, and always free. No paywall, no login. This PDF came from it.

Audio case-brief lectures.

Any decision becomes a podcast-style lecture - facts, issues, ruling, and doctrine - with read-along highlighting and a hands-free presentation mode. Study while commuting, working out, or resting your eyes.

Bar review built on the science of memory.

Complete, sequenced courses for all eight bar subjects, narrated like podcasts and reinforced with retrieval practice and spaced review - the study techniques with the strongest evidence behind them.

The full law-school curriculum.

One subscription unlocks the entire J.D. curriculum - every subject, every lesson, with your progress tracked down to the paragraph so you can pick up exactly where you left off, on any device.

Mock exams that tell you where you stand.

Timed multiple-choice exams graded instantly, with per-subject score breakdowns and focus suggestions that point you at your weakest topics first.

A study planner that keeps you on pace.

Set your schedule and BATAS tells you every day whether you are on track for bar day - and exactly which lesson to take next.

Start free at <https://batas.org>

The law library is free forever - and your first lesson is one click away.

The text of this document is an official public record and remains in the public domain. Formatting, presentation, and compilation © 2026 batas.org.

Downloaded free from the batas.org Law Library. Share it freely - the library is free for every law student, bar reviewee, and practitioner.