

CONSOLIDATED PLYWOOD INDUSTRIES INC. AND HENRY LEE, PETITIONERS, VS. THE HONORABLE COURT OF APPEALS, WILLIE KHO AND ALFRED C.H. KHO, RESPONDENTS.

G.R. No. 101706. September 23, 1992

Ponente: MEDIALDEA, J.

Read online (full-text search, related cases, audio case brief): <https://batas.org/library/g-r-no-101706/>

MEDIALDEA, J.:

This is a petition for review on certiorari of the decision of the Court of Appeals in CA-G.R. No. 02784 entitled, "Consolidated Plywood Industries, Inc. and Henry Wee v. Willie Kho and Alfred C.H. Kho," which modified the decision of the Court of First Instance (now Regional Trial Court) of Baganga, Davao Oriental, by deleting the award for moral damages, attorneys fees and actual damages in the sum of P350,000.00 for the unfulfilled import of logs, which were granted by the trial court.

Consolidated Plywood Industries, Inc. (Corporation) and Henry Wee filed an action for breach of contract and damages against Willie Kho and Alfred C.H. Kho with the Court of First Instance (now Regional Trial Court) of Baganga, Davao Oriental. The facts as summarized by the trial court are as follows:

"X X X X X

"Sometime in February, 1978, the plaintiff Corporation of which the plaintiff Henry Wee is the President, being in the business of logging and manufacturing timber products at its logging concession at Baganga and Caraga, Davao Oriental, on one hand, and the defendants, father and son, who are operating a fleet of hauling trucks, entered into a verbal hauling agreement with the following terms and conditions to wit: that defendants shall haul the logs of the plaintiffs from the concession area to the logpond at Baculin, Baganga, Davao Oriental, at a hauling fee of P1.25/cu.m./km. of all species of timber, payable on weekly liquidation basis of all timber hauled and scaled at the Baganga office of the plaintiffs.

"It was likewise agreed between the parties as a pre-condition before defendants' sending of the truck haulers to the jobsite that the plaintiffs provide financial assistance to the defendants in the amount of P180,000.00, cash, to defray cost of needed repairs and re-conditioning of the trucks and other expenses necessary for the hauling operations.

It was understood that this financial assistance was in the nature of cash advance obtained by the defendants from the Equitable Bank in the aggregate amount of P180,000.00 on the guaranty of plaintiff Henry Wee, payable by the defendants, and that the hauling services shall continue unless and until this loan from the Equitable Bank remain unpaid.

"After the defendants obtained the aggregate amount of P180,000.00 from the Equitable Bank on the guaranty of plaintiff Henry Wee by way of cash advance as financial assistance, the defendants proceeded to the jobsite at Baculin, Baganga, Davao Oriental, to commence the hauling service for the plaintiffs.

"However, after hauling logs for about a year, or so, specifically on April 12, 1979, the defendants, without giving notice and information to the plaintiffs, suddenly and surreptitiously at nighttime, withdrew all its truck

haulers from the jobsite and returned to its base in Tagum, Davao del Norte, all in violation of the terms of the hauling agreement, particularly, the repayment of the cash advance to P180,000.00 obtained from the Equitable Bank, and that the hauling should continue until the said amount is fully paid.

"Evidence on record show that all hauling services had been paid by the plaintiffs. In fact, it appears that from cash vales in the course of the hauling operation, the defendants have incurred an overdraft of P10,726.53 still unliquidated.

"Due to the sudden and surreptitious abandonment by the defendants of its hauling obligation in bad faith several logs have been left unhailed from the area which spawned serious and varied consequences to the great damage and prejudice of the plaintiffs.

"The Aquarius Trading, a Taiwan log importer of the plaintiffs, have charged the plaintiffs of P56,000.00 reimbursement representing cancellation fee of a chartered vessel, LC extension fee and other charges due to plaintiffs' unfulfilled commitment of 1,500 cu. m. of logs because of the failure of hauling by the defendants on the due date to the logpond. The plaintiffs, as a result, failed to realize a profit of P150,000.00

"During the interim period between the sudden abandonment by the defendants in April, 1979 to May, 1979 when the plaintiffs have no immediate replacement haulers, the plaintiffs could have produced 5,000 cu. m. of logs, to fill other commitments, or a loss of P350,000.00, was suffered by plaintiffs.

"The defendants' violation of its undertaking also resulted in exposing the plaintiff Henry Wee to liability to the Equitable Bank for the loans he guaranteed in favor of the defendants in the total amount of P180,000.00 which have become due, and demands for payment resulted in unduly annoying and vexing said plaintiff which entitles him to moral damages in the amount of P200,000.00." (pp. 302-305, Rollo)

The evidence of the plaintiffs showed that they sent two (2) letters to the defendants demanding the return to the area of the six (6) hauler trucks to be used in hauling the logs (pp. 103-104, Rollo) but the defendants did not heed the demand.

The defendants waived their right to present evidence. Hence, on January 3, 1983, a decision was rendered on the basis of plaintiffs' evidence, the dispositive portion of which reads:

"WHEREFORE, judgment is hereby rendered in favor of the plaintiffs and against the defendants ordering the defendants, jointly and severally to:

- (1) pay the plaintiffs the sum of P10,726.53, unpaid overdraft cash vales;
- (2) pay the plaintiffs the sum of P56,000.00 reimbursement of charges of Aquarius Trading paid by the plaintiffs;
- (3) pay the plaintiffs the sum of P150,000.00 unrealized profit in the Aquarius Trading transaction unfulfilled;
- (4) pay the plaintiffs the sum of P350,000.00 unfulfilled import of logs after the sudden withdrawal of defendants' trucks;
- (5) pay the plaintiffs P200,000.00 moral damages caused by the anxiety and annoyance as a consequence of the demands of the Equitable Bank on the defendants' unpaid cash advance of P180,000.00;
- (6) pay the plaintiffs attorneys' fees of P20,000.00;
- (7) to pay the plaintiffs litigation expenses of P40,000.00; and
- (8) pay the costs.

"SO ORDERED." (pp. 306-307, Rollo)

From the decision of the trial court, the defendants appealed to the Court of Appeals questioning the amount of damages awarded to the plaintiffs on the ground that the awards were not supported by sufficient evidence. The other grounds assigned by the defendants as errors were improper venue and lack of cause of action, in the latter case, because there was allegedly no contract to be enforced.

On August 30, 1991, as already mentioned, the Court of Appeals rendered a decision modifying the trial court's decision. While the awards for the unpaid overdraft cash vales of P10,726.53; the sum of P56,000.00 as reimbursement of charges by Aquarius Trading paid by the plaintiff and the sum of P150,000.00 for unrealized profit in the Aquarius Trading transaction were affirmed, all the other awards of damages for unfulfilled import of logs, attorney's fees and litigation expenses were deleted. The dispositive portion of the decision reads:

"WHEREFORE, and in the light of all the foregoing, the appealed judgment is affirmed except the award of damages for 'unfulfilled import of logs,' moral damages and attorney's fees which are hereby denied and ordered deleted." (p. 354, Rollo)

In this petition before Us, the petitioners Corporation and Henry Wee question the deletion of the awards for unfulfilled import of logs, moral damages and attorneys fees.

We agree with the appellate court when it deleted the award of P350,000.00 granted by the trial court for actual damages allegedly incurred by petitioners for the unfulfilled import of logs. It correctly held that there was no evidence to support such claim. This claim apparently refers to an alleged commitment to a certain Ching Kee Trading of Taiwan scheduled in June 1979 as distinguished from the claim for actual damages incurred in connection with its Aquarius Trading transaction. Henry Wee testified on the actual damages they incurred, as follows:

"Q. Let us go to the business of the corporation for which you said that it has a contract for shipment of logs, where are these contracts of shipments go (sic)?

"A. The company has a commitment of exporting logs and wood products in foreign countries like Hongkong and other foreign buyer on monthly basis and on that month on (sic) April to May, there was a contracted shipment of 1,500 anticipating to be hauled by the services of the Willie Kho trucking, so that the company has to reach their shipment on May 15, which was fully contracted with the buyer.

"Q. I show to you this letter of Aquarius Trading Company, duly confirmed and accepted by Consolidated Plywood Industries by Mr. Henry Wee, president, please tell the Court what relation has this to the commitment of the shipment of logs?

"A. This is the commitment of shipment of logs for 1,400 on May 15, for Aquarius Trading.

"Q. Other than this commitment, do you have other commitment to other buyer?

"A. Yes, we have commitment to Ching Kee Trading in Taiwan scheduled on June (TSN, 12 Jan. 1982, pp. 45-48; pp. 158-160, Rollo)

The commitment to Aquarius Trading was sufficiently substantiated by documents (Exhs. "H" and "I"). Petitioners were able to present the papers evidencing their transaction with said entity including the amount demanded from them as reimbursement for damages it incurred due to by petitioners' failure to ship the ordered logs on time. In contrast, the alleged commitment of petitioner to Ching Kee Trading in Taiwan was not supported by evidence other than the self-serving statement of Wee. Nor did they present any other evidence which would show that they had other unfulfilled shipments for which they incurred damages because of the pull-out of private respondents' hauler trucks. But even granting for the sake of argument that there was in fact a commitment to Chingkee Trading, the shipment was scheduled some two (2) months after the private respondents pulled out their

trucks from petitioners' jobsite on April 12, 1979. That would have left the petitioners with sufficient time to find other trucks which could be used for the job.

The petitioners insist that if the appellate court did not consider the P350,000.00 damages for unfulfilled shipments, it should have awarded this amount as a form of temperate or moderate damages.

Article 2224 of the Civil Code provides: "Temperate or moderate damages, which are more than nominal but less than compensatory damages, may be recovered when the Court finds that some pecuniary loss has been suffered but its amount can not, from the nature of the case, be proved with certainty." The grant thereof is proper under the provision of Article 2205 of the Civil Code, which provides that damages may be recovered. In this case however, there was no showing nor proof that petitioner was entitled to an award of this kind of damages in addition to the actual damages it suffered as a direct consequence of private respondents' act. The nature of the contract between the parties is such that damages which the innocent party may have incurred can be substantiated by evidence.

The Court, however, believes that petitioner is entitled to an award for moral damages. However, the award granted by the trial court in the amount of P200,000.00 is excessive. It should be stated here that the hauling agreement between the petitioners and the private respondent had no fixed date of termination. It was a verbal agreement where the private respondents bound themselves until the loan with Equitable Bank in the personal account of petitioners had been fully paid. There was substantial compliance by the private respondents of their obligations in the contract for about a year. The record showed that the remaining balance owing to the bank was only P30,000.00 which was not due until one (1) year and five (5) months after the breach by the private respondents or on September 4, 1980 (p. 109, Rollo). However, the trial court found that private respondents acted with bad faith when it surreptitiously pulled out their hauler trucks from petitioner's jobsite before the termination of the contract. The trial court held:

"The act of defendants in suddenly and surreptitiously withdrawing its hauler trucks from the jobsite and abandoning its obligation of hauling the logs is indubitably a wanton violation of its obligation, under the contract, a neglect to perform its obligation in bad faith more particularly, in its stipulation to liquidate the cash advance obtained from Equitable Bank, for the law would not permit said defendants to enrich themselves at the expense of the plaintiffs." (p. 305, Rollo)

Thus, an award of P50,000.00 for moral damages is sufficient.

The award for attorneys fees by the trial court in the amount of P20,000.00 is likewise proper. Petitioner was forced to litigate in court for the recovery of actual damages incurred by him because the private respondent ignored petitioners' letters demanding that they return to the area and perform their obligations.

ACCORDINGLY, the decision of the Court of Appeals is MODIFIED. The award of P50,000.00 as moral damages and P20,000.00 as attorney's fees are hereby granted in addition to the damages awarded by the appellate court.

SO ORDERED.

Griño-Aquino and Bellosillo, JJ., concur.

Cruz, J., (Chairman), on leave.

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.