

SPOUSES TIU PECK AND LEE YOK YAN, PETITIONERS, VS. THE HONORABLE COURT OF APPEALS (SEVENTEENTH DIVISION) AND SPOUSES CONCHITA M. RUBIATO AND TAN KING, RESPONDENTS.

G.R. No. 104404. May 06, 1993

Ponente: PADILLA, J.

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PADILLA, J.:

This is a petition for review on certiorari of the decision[1] of the Seventeenth Division of respondent Court of Appeals in CA-G.R. CV No. 24912, dated 11 October 1991, modifying the trial court's judgment.

The antecedent facts of the case are as follows:

In his lifetime, Joaquin Tiu Singco, father of petition-er Tiu Peck, owned and operated the Argentina Trading, a business engaged in the buying and selling of lumber hardware and general merchandise in San Marcelino, Zambales. Helping him run the business were private respondents: Tan King who helped manage the store and receiving P200.00 a month, while his wife Conchita M. Rubiato did the marketing and cooking for which work she received a salary of around P180.00 to P240.00 a month. The business license was however, in the name of Conchita M. Rubiato.

After the death of Joaquin Tiu Singco in 1974, Tiu Peck took over and continued the business left by his father Tan King and Conchita M. Rubiato continued to help him in the management of the said business eventually becoming partners thereof.

Sometime in 1983, petitioners and private respondents decided to end their business partnership. Accordingly, they sought the help of five (5) respected members of the Filipino Chinese Chamber of Commerce and Industry of Olongapo City (of which petitioners and private respondents are members) to act as middlemen. Together with the five (5) middlemen, Tiu Peck and Tan King discussed the manner of their separation and the liquidation of the partnership properties. As a result of the discussion, an "Agreement on the Apportionment of Partnership Business" was drawn up. Tui Peck, also known as Lim Yan Chiao and Tan King, also known as Tiu To Suan, both signed the Agreement to which the five (5) middlemen also affixed their signatures as witnesses.

The abovesaid Agreement reads as follows:

"AGREEMENT ON THE APPORTION OF PARTNERSHIP BUSINESSES,

The undersigned LIM YAN CHIAO and TIU TO SUAN hereby agreed to terminate their partnership in business and apportion(ment) of their lumber and hardware store and piggery farm under following conditions:

First : The joint business shall be divided and apportioned on a lottery basis.

Second : The collection of accounts receivable to the partnerships (sic) shall be divided into four phases, such accounts shall be collected by the person who gets the lot, and the collected funds shall be divided equally by the partners after deducting commissions as follows:

First phase - 20% commission

Second phase - 30% commission

Third phase - 40% commission

Fourth phase - 50% commission

Third : The partnership shall appropriate an amount of funds for the separation of employees of the partnership, which shall be sole responsibility of the lot winners concerned henceforth.

Fourth : the partnership shall likewise appropriate an amount of funds to the lot winners concerned for the payment of unpaid taxes and fees.

Fifth : The joint business are estimated of its assets as follows:

(a) Lumber & Hardware - One Million and Six Hundred Thousand Pesos (P1,600,000.00) including building and lot, and all the merchandise.

(b) Piggery - One Million Pesos (P1,000,000.00) including the building and lot and all the goods including the feeds.

Sixth : The person, who win(s) the lot for the lumber and hardware shall give Three Hundred Thousand Pesos (P300,000.00) to the person who got (sic) the lot for the piggery.

Seventh : This agreement shall take effect upon the lottery.

Done on the 31st day of August on the year of our Lord Nineteen Hundred and Eighty-Three.

(Sgd.) LIM YAN CHIAO (Sgd.) TIU TO SUAN

Lim Yan Chiao got the lot of the Lumber

Tiu To Suan got the lot of the piggery

Witnesses:

(Sgd.) CHUA PUN SU (Sgd.) CO CHU TONG

(Sgd.) Ting Kok Bin (Sgd.) CHENG SUY LEY

(Sgd.) Ting Kim Yek" [2]

Immediately thereafter, Tiu Peck took possession of the lumber and hardware business including the lot and building as well as the merchandise therein. On the other hand, Tan King and Conchita M. Rubiato took possession of the piggery business, the lot and all the improvements thereon as well as the hogs.

After three (3) years, or specifically on 21 April 1986, private respondents wrote petitioners demanding partition of the same properties subject of the Agreement of 31 August 1983. Eventually, private respondents filed an action against petitioners for partition of the parcel of land covered by TCT No. T-24999 where the lumber and hardware business was conducted and the parcel or land covered by Tax Declaration No. 10985 where the piggery business was located.

After trial, the Regional Trial Court of the Third Judicial Region, Branch 72, Olongapo City, rendered judgment, declaring, among other things, that the parcels of land covered by Transfer Certificate of Title No. T-24999 and Tax Declaration No. 10985 are owned in common by the plaintiffs (private respondents) and the defendants (petitioners) in pro-indiviso equal shares: that the plaintiffs (private respondents) are the owners of the building

covered by Tax-Declaration No. 59345 built on the Parcel of land covered by TCT No. T-24999; and ordering plaintiffs and defendants to partition the said parcels of land among themselves.

Petitioners (as defendants) appealed the above decision to respondent Court of Appeals. On 11 October 1991, respondent Court promulgated the challenged decision modifying the trial court's judgment as follows:

"WHEREFORE, the judgment appealed from is modified to read as follows:

1. The parcel of land covered by Transfer Certificate of Title No. T-24999 (Exhibit A), the building erected thereon covered by Tax Declaration No. 59345 (Exhibit B), and the parcel of land covered by Tax Declaration No. 10985 (Exhibit I) are declared owned in common by the plaintiffs spouses Conchita M. Rubiato and Tan King and the appellants spouses Tiu Peck and Lee Yok Yan, pro indiviso in equal shares, which properties are hereby ordered partitioned in accordance with the provisions of Rule 69 of the Revised Rules of Court, the trial Court to follow the procedure provided therein;

2. The defendants are ordered to return to the plaintiffs the personal belongings kept in the building covered by Tax Declaration No. 59345 (Exhibit B); and

3. The defendants' counterclaim against the plaintiffs is dismissed.

No pronouncement as to costs in this instance.

SO ORDERED."[3]

Undaunted, petitioners are now before us seeking a review of respondent court's decision and assigning the following errors to said court:

"A. THE HONORABLE COURT OF APPEALS SERIOUSLY ERRED IN DISREGARDING THE RESULT OF THE PARTITION AGREEMENT ENTITLED 'AGREEMENT ON THE APPORTION (SIC) OF PARTNERSHIP BUSINESSES' BY DECLARING THE PROPERTIES SUBJECT THEREIN AGAIN AS OWNED IN COMMON BY THE PETITIONERS AND RESPONDENT PRO INDIVISO AND ORDERING A NEW PARTITION UNDER RULE 69 THUS SUPERSEDING AND VIOLATING THE BINDING AGREEMENT THAT WERE (SIC) ALREADY EXECUTED AND CONSUMMATED BY AND BETWEEN THE CO-OWNERS, WHICH TOOK EFFECT THREE YEARS AGO, BEFORE THE RESPONDENT FILED THE PETITION FOR PARTITION.

B. THE HONORABLE COURT OF APPEALS SERIOUSLY ERRED IN DISREGARDING THE PRINCIPLE THAT THE CONTRACT ONCE PERFECTED HAS THE FORCE OF LAW BETWEEN THE PARTIES WITH SUCH THEY ARE BOUND TO COMPLY IN GOOD FAITH AND NEITHER ONE OF THE PARTIES WITHOUT THE CONSENT OF THE OTHER RENEGE ON (SIC) THEREFROM.

C. THE HONORABLE COURT OF APPEALS SERIOUSLY ERRED IN COMPLETELY IGNORING THE PRINCIPLE OF EQUITY APPLICABLE IN THE CASE AT BAR IN ORDER TO PROTECT THE VESTED RIGHTS THAT ACCRUED TO THE PETITIONERS WHEN THE PARTIES HAD ACTUALLY IMPLEMENTED AND EXECUTED THE PARTITION AGREEMENT, AND WHO HAD EXERCISE(D) OWNERSHIP OR ACTS OF STRICT DOMINION OVER THE PROPERTIES ALLOTTED TO EACH BY VIRTUE OF THE AGREEMENT.

D. THE HONORABLE COURT OF APPEALS SERIOUSLY ERRED IN COMPLETELY IGNORING THE PRINCIPLE OF ESTOPPEL APPLICABLE AGAINST THE RESPONDENT THAT HAS BARRED THEM FROM QUESTIONING THE BINDING FORCE AND EFFECT OF THE AGREEMENT."[4]

The foregoing recital of errors may be reduced to two (2) principal issues.

The first issue concerns the alleged business partnership between Tiu Peck on the one hand and the spouses Tan

King and Conchita M. Rubiato on the other.

We agree with the resolution of the respondent court on this issue.

"To begin with, it cannot be said that there was a business partnership between the appellants on the one hand and the appellees on the other absent the required public instrument constituting the partnership, immovable properties having been contributed by the parties Article 1771, Civil Code) and recording thereof in the Securities and Exchange Commission (Article 1772, Civil Code).

Nonetheless, the parties may be deemed as co-owners of the real properties and the businesses they are engaged in mentioned in the agreement aforequoted (Exhibits 62 and 63). (Underscoring supplied)

But the parties be (they) partners or co-owners as the case may be, the parcel of land mentioned in the agreement (Exhibits 62 and 63) where the lumber and hardware business was conducted, covered by TCT No. 24999 (Exhibit A), and the building erected thereon covered by Tax Declaration No. 59345 (Exhibit B); and the parcel of land where their piggery business was located, covered by Tax Declaration No. 10985 (Exhibit I), 'including the building and lot and all the goods including the feeds' therein belong to appellants on the one hand and appellees on the other." [5]

Following the abovequoted ratiocination of respondent court, we expected it to then rule on the validity and binding effect of the partition of the subject properties between the two (2) contending parties as co-owners. Unfortunately, it diverted from the trend of its position when it disregarded the real intention of the parties which was to divide the businesses and properties owned by them in common. Respondent court itself perceived this intention when it stated:

"x x x Such is the import of their agreement where appellant Tiu Peck and appellee Tan King 'agreed to terminate their partnership in business and apportion' their lumber and hardware business valued P1,600,000, 'including (the) building and lot, and all the merchandise' and piggery value P1,000,000, 'including the building and lot and all the goods including the feeds' (Exhibits 62 and 63)." [6] (Underscoring supplied)

It should be noted that private respondent Conchita M. Rubiato initiated the move to terminate the so-called partnership when she informed Tiu Peck that since their children were already grown-up, it was a propitious time for them to separate their businesses. To this proposal, Tiu Peck agreed. With the help of five (5) respected middlemen, they drew up on 31 August 1983 the Agreement on the Apportionment of Partnership Businesses which they all signed. There can be no doubt, therefore, that the two (2) parties wanted to go their separate ways in their business and to get their respective shares of the properties which they owned in common when they drew up and executed the 31 August 1983 agreement.

This brings us to the second issue: whether or not the agreement of 31 August 1983 is valid and binding between the petitioners and private respondents.

There is no question that petitioners and the private respondents voluntarily entered into the agreement to apportion or divide their businesses, whether as partners or co-owners. That agreement is the law between them. Contracts shall be obligatory in whatever form they may have been entered into, provided all the essential requisites for their validity are present.[7] The fact that after signing the agreement both parties immediately took possession of their respective shares is the most compelling evidence that there was indeed a binding partition of the properties. Contracts, once perfected, have the force of law between the parties who are bound to comply therewith in good faith, and neither one may, without the consent of the other, renege therefrom.[8]

And, as held by respondent court, even though petitioner Lee Yok Yan and respondent Conchita M. Rubiato were not actual signatories to the agreement, nonetheless, such agreement is persuasive for or against them. Indeed, private respondents have no justification to refuse delivery of TCT No. T-24999 to petitioners after they agreed to

the partition and consequently took possession of the piggery business and operated it for three (3) years before changing their minds and seeking a new partition. It has not been explained by them – as perhaps explanation is not possible – why it took them three (3) years before they decided for another partition of the same properties subject of their agreement on 31 August 1983.

"x x x Contracts solemnly, and deliberately entered into may not be overturned by inconclusive proof or by reason of mistake of one of the parties to which the other in no way has contributed." [9]

The respondent court, in our view, erred in ordering another partition after ruling that there is no partnership but a co-ownership of the real properties and businesses between the petitioners and private respondents.

Moreover, the title of the contract does not necessarily determine its true nature.

"The acts of the contracting parties, subsequent to, and in connection with, the performance of the contract must be considered in the interpretation of the contract. x x x To determine the nature of a contract, courts do not have or are not bound to rely upon the name or title given it by the contracting parties x x x but the way the contracting parties do or perform their respective obligations, stipulated or agreed upon may be shown and inquired into, and should such performance conflict with the name or title given the contract by the parties, the former must prevail over the latter." [10]

WHEREFORE, in view of the foregoing, the decision appealed from ordering the partition of the properties in question is hereby SET ASIDE. Accordingly:

1. the partition of the properties subject of the Agreement On the Apportionment of Partnership Businesses, dated 31 August 1983, is hereby declared valid and binding between petitioners and the private respondents;
2. Transfer Certificate of Title No. T-24999 (Exhibit A) covering the lot of the lumber and hardware business as well as Tax Declaration No. 59345 covering the building thereon are hereby ordered consolidated in the name of petitioners;
3. the Register of Deeds of Zambales is hereby ordered to issue a new Transfer Certificate of Title in the names of petitioners Tiu Peck and Lee Yok Yan in lieu of TCT No. T-24999, Book No. T-230, page 199; and
4. the lot covered by Tax Declaration No. 10985 and all improvements therein devoted to the piggery business are declared properties of the private respondents; and
5. the petitioners are ordered to return to private respondents the personal belongings kept in the building covered by Tax Declaration No. 59345 (Exhibit B).

Costs against private respondents.

SO ORDERED.

Narvasa, C.J., (Chairman), Regalado, and Nocon, JJ., concur.

[1] Penned by Associate Justice Pedro A. Ramirez with the concurrence of Associate Justice Fernando A. Santiago and Associate Justice Fermin A. Martin, Jr.

[2] Rollo, pp. 40-41

[3] Ibid., p. 46

[4] Ibid., p. 18

[5] Ibid., pp. 44 - 45

[6] Ibid., p. 45

[7] Article 1356, New Civil Code

[8] Article 1159, Ibid.

[9] Gonzales Mondragon vs. Santos, 87 Phil. 471, 478

[10] Cruz vs. Court of Appeals, 129 SCRA 222

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