

GREGORIO FULE, PETITIONER, VS. COURT OF APPEALS, NINEVETCH CRUZ AND JUAN BELARMINO, RESPONDENTS.

G.R. No. 112212. March 02, 1998

Ponente: ROMERO, J.

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ROMERO, J.:

This petition for review on certiorari questions the affirmance by the Court of Appeals of the decision[1] of the Regional Trial Court of San Pablo City, Branch 30, dismissing the complaint that prayed for the nullification of a contract of sale of a 10-hectare property in Tanay, Rizal in consideration of the amount of P40,000.00 and a 2.5 carat emerald-cut diamond (Civil Case No. SP-2455). The lower court's decision disposed of the case as follows:

“WHEREFORE, premises considered, the Court hereby renders judgment dismissing the complaint for lack of merit and ordering plaintiff to pay:

1. Defendant Dra. Ninevetch M. Cruz the sum of P300,000.00 as and for moral damages and the sum of P100,000.00 as and for exemplary damages;
2. Defendant Atty. Juan Belarmino the sum of P250,000.00 as and for moral damages and the sum of P150,000.00 as and for exemplary damages;
3. Defendant Dra. Cruz and Atty. Belarmino the sum of P25,000.00 each as and for attorney's fees and litigation expenses; and
4. The costs of suit.

SO ORDERED.”

As found by the Court of Appeals and the lower court, the antecedent facts of this case are as follows:

Petitioner Gregorio Fule, a banker by profession and a jeweler at the same time, acquired a 10-hectare property in Tanay, Rizal (hereinafter “Tanay property”), covered by Transfer Certificate of Title No. 320725 which used to be under the name of Fr. Antonio Jacobe. The latter had mortgaged it earlier to the Rural Bank of Alaminos (the Bank), Laguna, Inc. to secure a loan in the amount of P10,000.00, but the mortgage was later foreclosed and the property offered for public auction upon his default.

In July 1984, petitioner, as corporate secretary of the bank, asked Remelia Dichoso and Oliva Mendoza to look for a buyer who might be interested in the Tanay property. The two found one in the person of herein private respondent Dr. Ninevetch Cruz. It so happened that at the time, petitioner had shown interest in buying a pair of emerald-cut diamond earrings owned by Dr. Cruz which he had seen in January of the same year when his mother examined and appraised them as genuine. Dr. Cruz, however, declined petitioner's offer to buy the jewelry for P100,000.00. Petitioner then made another bid to buy them for US\$6,000.00 at the exchange rate of \$1.00 to P25.00. At this point, petitioner inspected said jewelry at the lobby of the Prudential Bank branch in San Pablo City and then made a sketch thereof. Having sketched the jewelry for twenty to thirty minutes, petitioner gave

them back to Dr. Cruz who again refused to sell them since the exchange rate of the peso at the time appreciated to P19.00 to a dollar.

Subsequently, however, negotiations for the barter of the jewelry and the Tanay property ensued. Dr. Cruz requested herein private respondent Atty. Juan Belarmino to check the property who, in turn, found out that no sale or barter was feasible because the one-year period for redemption of the said property had not yet expired at the time.

In an effort to cut through any legal impediment, petitioner executed on October 19, 1984, a deed of redemption on behalf of Fr. Jacobe purportedly in the amount of P15,987.78, and on even date, Fr. Jacobe sold the property to petitioner for P75,000.00. The haste with which the two deeds were executed is shown by the fact that the deed of sale was notarized ahead of the deed of redemption. As Dr. Cruz had already agreed to the proposed barter, petitioner went to Prudential Bank once again to take a look at the jewelry.

In the afternoon of October 23, 1984, petitioner met Atty. Belarmino at the latter's residence to prepare the documents of sale.[2] Dr. Cruz herself was not around but Atty. Belarmino was aware that she and petitioner had previously agreed to exchange a pair of emerald-cut diamond earrings for the Tanay property. Atty. Belarmino accordingly caused the preparation of a deed of absolute sale while petitioner and Dr. Cruz attended to the safekeeping of the jewelry.

The following day, petitioner, together with Dichoso and Mendoza, arrived at the residence of Atty. Belarmino to finally execute a deed of absolute sale. Petitioner signed the deed and gave Atty. Belarmino the amount of P13,700.00 for necessary expenses in the transfer of title over the Tanay property. Petitioner also issued a certification to the effect that the actual consideration of the sale was P200,000.00 and not P80,000.00 as indicated in the deed of absolute sale. The disparity between the actual contract price and the one indicated on the deed of absolute sale was purportedly aimed at minimizing the amount of the capital gains tax that petitioner would have to shoulder. Since the jewelry was appraised only at P160,000.00, the parties agreed that the balance of P40,000.00 would just be paid later in cash.

As pre-arranged, petitioner left Atty. Belarmino's residence with Dichoso and Mendoza and headed for the bank, arriving there at past 5:00 p.m. Dr. Cruz also arrived shortly thereafter, but the cashier who kept the other key to the deposit box had already left the bank. Dr. Cruz and Dichoso, therefore, looked for said cashier and found him having a haircut. As soon as his haircut was finished, the cashier returned to the bank and arrived there at 5:48 p.m., ahead of Dr. Cruz and Dichoso who arrived at 5:55 p.m. Dr. Cruz and the cashier then opened the safety deposit box, the former retrieving a transparent plastic or cellophane bag with the jewelry inside and handing over the same to petitioner. The latter took the jewelry from the bag, went near the electric light at the bank's lobby, held the jewelry against the light and examined it for ten to fifteen minutes. After a while, Dr. Cruz asked, "Okay na ba iyan?" Petitioner expressed his satisfaction by nodding his head.

For services rendered, petitioner paid the agents, Dichoso and Mendoza, the amount of US\$300.00 and some pieces of jewelry. He did not, however, give them half of the pair of earrings in question which he had earlier promised.

Later, at about 8:00 o'clock in the evening of the same day, petitioner arrived at the residence of Atty. Belarmino complaining that the jewelry given to him was fake. He then used a tester to prove the alleged fakery. Meanwhile, at 8:30 p.m., Dichoso and Mendoza went to the residence of Dr. Cruz to borrow her car so that, with Atty. Belarmino, they could register the Tanay property. After Dr. Cruz had agreed to lend her car, Dichoso called up Atty. Belarmino. The latter, however, instructed Dichoso to proceed immediately to his residence because petitioner was there. Believing that petitioner had finally agreed to give them half of the pair of earrings, Dichoso

went posthaste to the residence of Atty. Belarmino only to find petitioner already demonstrating with a tester that the earrings were fake. Petitioner then accused Dichoso and Mendoza of deceiving him which they, however, denied. They countered that petitioner could not have been fooled because he had vast experience regarding jewelry. Petitioner nonetheless took back the US\$300.00 and jewelry he had given them.

Thereafter, the group decided to go to the house of a certain Macario Dimayuga, a jeweler, to have the earrings tested. Dimayuga, after taking one look at the earrings, immediately declared them counterfeit. At around 9:30 p.m., petitioner went to one Atty. Reynaldo Alcantara residing at Lakeside Subdivision in San Pablo City, complaining about the fake jewelry. Upon being advised by the latter, petitioner reported the matter to the police station where Dichoso and Mendoza likewise executed sworn statements.

On October 26, 1984, petitioner filed a complaint before the Regional Trial Court of San Pablo City against private respondents praying, among other things, that the contract of sale over the Tanay property be declared null and void on the ground of fraud and deceit.

On October 30, 1984, the lower court issued a temporary restraining order directing the Register of Deeds of Rizal to refrain from acting on the pertinent documents involved in the transaction. On November 20, 1984, however, the same court lifted its previous order and denied the prayer for a writ of preliminary injunction.

After trial, the lower court rendered its decision on March 7, 1989. Confronting the issue of whether or not the genuine pair of earrings used as consideration for the sale was delivered by Dr. Cruz to petitioner, the lower court said:

“The Court finds that the answer is definitely in the affirmative. Indeed, Dra. Cruz delivered (the) subject jewelries (sic) into the hands of plaintiff who even raised the same nearer to the lights of the lobby of the bank near the door. When asked by Dra. Cruz if everything was in order, plaintiff even nodded his satisfaction (Hearing of Feb. 24, 1988). At that instance, plaintiff did not protest, complain or beg for additional time to examine further the jewelries (sic). Being a professional banker and engaged in the jewelry business plaintiff is conversant and competent to detect a fake diamond from the real thing. Plaintiff was accorded the reasonable time and opportunity to ascertain and inspect the jewelries (sic) in accordance with Article 1584 of the Civil Code. Plaintiff took delivery of the subject jewelries (sic) before 6:00 p.m. of October 24, 1984. When he went at 8:00 p.m. that same day to the residence of Atty. Belarmino already with a tester complaining about some fake jewelries (sic), there was already undue delay because of the lapse of a considerable length of time since he got hold of subject jewelries (sic). The lapse of two (2) hours more or less before plaintiff complained is considered by the Court as unreasonable delay.”[3]

The lower court further ruled that all the elements of a valid contract under Article 1458 of the Civil Code were present, namely: (a) consent or meeting of the minds; (b) determinate subject matter, and (c) price certain in money or its equivalent. The same elements, according to the lower court, were present despite the fact that the agreement between petitioner and Dr. Cruz was principally a barter contract. The lower court explained thus:

“x x x. Plaintiff’s ownership over the Tanay property passed unto Dra. Cruz upon the constructive delivery thereof by virtue of the Deed of Absolute Sale (Exh. D). On the other hand, the ownership of Dra. Cruz over the subject jewelries (sic) transferred to the plaintiff upon her actual personal delivery to him at the lobby of the Prudential Bank. It is expressly provided by law that the thing sold shall be understood as delivered, when it is placed in the control and possession of the vendee (Art. 1497, Civil Code; Kuenzle & Straff vs. Watson & Co. 13 Phil. 26). The ownership and/or title over the jewelries (sic) was transmitted immediately before 6:00 p.m. of October 24, 1984. Plaintiff signified his approval by nodding his head. Delivery or tradition, is one of the modes of acquiring ownership (Art. 712, Civil Code).

Similarly, when Exhibit D was executed, it was equivalent to the delivery of the Tanay property in favor of Dra.

Cruz. The execution of the public instrument (Exh. D) operates as a formal or symbolic delivery of the Tanay property and authorizes the buyer, Dra. Cruz to use the document as proof of ownership (*Florendo v. Foz*, 20 Phil. 399). More so, since Exhibit D does not contain any proviso or stipulation to the effect that title to the property is reserved with the vendor until full payment of the purchase price, nor is there a stipulation giving the vendor the right to unilaterally rescind the contract the moment the vendee fails to pay within a fixed period (*Taguba v. Vda. De Leon*, 132 SCRA 722; *Luzon Brokerage Co. Inc. vs. Maritime Building Co. Inc.* 86 SCRA 305; *Froilan v. Pan Oriental Shipping Co. et al.* 12 SCRA 276).”[4]

Aside from concluding that the contract of barter or sale had in fact been consummated when petitioner and Dr. Cruz parted ways at the bank, the trial court likewise dwelt on the unexplained delay with which petitioner complained about the alleged fakery. Thus:

“x x x. Verily, plaintiff is already estopped to come back after the lapse of considerable length of time to claim that what he got was fake. He is a Business Management graduate of La Salle University, Class 1978-79, a professional banker as well as a jeweler in his own right. Two hours is more than enough time to make a switch of a Russian diamond with the real diamond. It must be remembered that in July 1984 plaintiff made a sketch of the subject jewelries (sic) at the Prudential Bank. Plaintiff had a tester at 8:00 p.m. at the residence of Atty. Belarmino. Why then did he not bring it out when he was examining the subject jewelries (sic) at about 6:00 p.m. in the bank’s lobby? Obviously, he had no need for it after being satisfied of the genuineness of the subject jewelries (sic). When Dra. Cruz and plaintiff left the bank both of them had fully performed their respective prestations. Once a contract is shown to have been consummated or fully performed by the parties thereto, its existence and binding effect can no longer be disputed. It is irrelevant and immaterial to dispute the due execution of a contract if both of them have in fact performed their obligations thereunder and their respective signatures and those of their witnesses appear upon the face of the document (*Weldon Construction v. CA* G.R. No. L-35721, Oct. 12, 1987).”[5]

Finally, in awarding damages to the defendants, the lower court remarked:

“The Court finds that plaintiff acted in wanton bad faith. Exhibit 2-Belarmino purports to show that the Tanay property is worth P25,000.00. However, also on that same day it was executed, the property’s worth was magnified at P75,000.00 (Exh. 3-Belarmino). How could in less than a day (Oct. 19, 1984) the value would (sic) triple under normal circumstances? Plaintiff, with the assistance of his agents, was able to exchange the Tanay property which his bank valued only at P25,000.00 in exchange for a genuine pair of emerald cut diamond worth P200,000.00 belonging to Dra. Cruz. He also retrieved the US\$300.00 and jewelries (sic) from his agents. But he was not satisfied in being able to get subject jewelries for a song. He had to file a malicious and unfounded case against Dra. Cruz and Atty. Belarmino who are well known, respected and held in high esteem in San Pablo City where everybody practically knows everybody. Plaintiff came to Court with unclean hands dragging the defendants and soiling their clean and good name in the process. Both of them are near the twilight of their lives after maintaining and nurturing their good reputation in the community only to be stunned with a court case. Since the filing of this case on October 26, 1984 up to the present they were living under a pall of doubt. Surely, this affected not only their earning capacity in their practice of their respective professions, but also they suffered besmirched reputations. Dra. Cruz runs her own hospital and defendant Belarmino is a well respected legal practitioner.

The length of time this case dragged on during which period their reputation were (sic) tarnished and their names maligned by the pendency of the case, the Court is of the belief that some of the damages they prayed for in their answers to the complaint are reasonably proportionate to the sufferings they underwent (Art. 2219, New Civil Code). Moreover, because of the falsity, malice and baseless nature of the complaint defendants were compelled to litigate. Hence, the award of attorney’s fees is warranted under the circumstances (Art. 2208, New Civil

Code).”[6]

From the trial court’s adverse decision, petitioner elevated the matter to the Court of Appeals. On October 20, 1992, the Court of Appeals, however, rendered a decision[7]affirming in toto the lower court’s decision. His motion for reconsideration having been denied on October 19, 1993, petitioner now files the instant petition alleging that:

“I. THE TRIAL COURT ERRED IN DISMISSING PLAINTIFF’S COMPLAINT AND IN HOLDING THAT THE PLAINTIFF ACTUALLY RECEIVED A GENUINE PAIR OF EMERALD CUT DIAMOND EARRING(S) FROM DEFENDANT CRUZ x x x;

II. THE TRIAL COURT ERRED IN AWARDING MORAL AND EXEMPLARY DAMAGES AND ATTORNEY’S FEES IN FAVOR OF DEFENDANTS AND AGAINST THE PLAINTIFF IN THIS CASE; and

III.THE TRIAL COURT ERRED IN NOT DECLARING THE DEED OF SALE OF THE TANAY PROPERTY (EXH. `D’) AS NULL AND VOID OR IN NOT ANNULING THE SAME, AND IN FAILING TO GRANT REASONABLE DAMAGES IN FAVOR OF THE PLAINTIFF.”[8]

As to the first allegation, the Court observes that petitioner is essentially raising a factual issue as it invites us to examine and weigh anew the facts regarding the genuineness of the earrings bartered in exchange for the Tanay property. This, of course, we cannot do without unduly transcending the limits of our review power in petitions of this nature which are confined merely to pure questions of law. We accord, as a general rule, conclusiveness to a lower court’s findings of fact unless it is shown, inter alia, that: (1) the conclusion is a finding grounded on speculations, surmises or conjectures; (2) the inference is manifestly mistaken, absurd and impossible; (3) when there is a grave abuse of discretion; (4) when the judgment is based on a misapprehension of facts; (5) when the findings of fact are conflicting; and (6) when the Court of Appeals, in making its findings, went beyond the issues of the case and the same is contrary to the admission of both parties.[9] We find nothing, however, that warrants the application of any of these exceptions.

Consequently, this Court upholds the appellate court’s findings of fact especially because these concur with those of the trial court which, upon a thorough scrutiny of the records, are firmly grounded on evidence presented at the trial.[10] To reiterate, this Court’s jurisdiction is only limited to reviewing errors of law in the absence of any showing that the findings complained of are totally devoid of support in the record or that they are glaringly erroneous as to constitute serious abuse of discretion.[11]

Nonetheless, this Court has to closely delve into petitioner’s allegation that the lower court’s decision of March 7, 1989 is a “ready-made” one because it was handed down a day after the last date of the trial of the case.[12] Petitioner, in this regard, finds it incredible that Judge J. Ausberto Jaramillo was able to write a 12-page single-spaced decision, type it and release it on March 7, 1989, less than a day after the last hearing on March 6, 1989. He stressed that Judge Jaramillo replaced Judge Salvador de Guzman and heard only his rebuttal testimony.

This allegation is obviously no more than a desperate effort on the part of petitioner to disparage the lower court’s findings of fact in order to convince this Court to review the same. It is noteworthy that Atty. Belarmino clarified that Judge Jaramillo had issued the first order in the case as early as March 9, 1987 or two years before the rendition of the decision. In fact, Atty. Belarmino terminated presentation of evidence on October 13, 1987, while Dr. Cruz finished hers on February 4, 1989, or more than a month prior to the rendition of the judgment. The March 6, 1989 hearing was conducted solely for the presentation of petitioner’s rebuttal testimony.[13] In other words, Judge Jaramillo had ample time to study the case and write the decision because the rebuttal evidence would only serve to confirm or verify the facts already presented by the parties.

The Court finds nothing anomalous in the said situation. No proof has been adduced that Judge Jaramillo was motivated by a malicious or sinister intent in disposing of the case with dispatch. Neither is there proof that someone else wrote the decision for him. The immediate rendition of the decision was no more than Judge Jaramillo's compliance with his duty as a judge to "dispose of the court's business promptly and decide cases within the required periods." [14] The two-year period within which Judge Jaramillo handled the case provided him with all the time to study it and even write down its facts as soon as these were presented to court. In fact, this Court does not see anything wrong in the practice of writing a decision days before the scheduled promulgation of judgment and leaving the dispositive portion for typing at a time close to the date of promulgation, provided that no malice or any wrongful conduct attends its adoption. [15] The practice serves the dual purposes of safeguarding the confidentiality of draft decisions and rendering decisions with promptness. Neither can Judge Jaramillo be made administratively answerable for the immediate rendition of the decision. The acts of a judge which pertain to his judicial functions are not subject to disciplinary power unless they are committed with fraud, dishonesty, corruption or bad faith. [16] Hence, in the absence of sufficient proof to the contrary, Judge Jaramillo is presumed to have performed his job in accordance with law and should instead be commended for his close attention to duty.

Having disposed of petitioner's first contention, we now come to the core issue of this petition which is whether the Court of Appeals erred in upholding the validity of the contract of barter or sale under the circumstances of this case.

The Civil Code provides that contracts are perfected by mere consent. From this moment, the parties are bound not only to the fulfillment of what has been expressly stipulated but also to all the consequences which, according to their nature, may be in keeping with good faith, usage and law. [17] A contract of sale is perfected at the moment there is a meeting of the minds upon the thing which is the object of the contract and upon the price. [18] Being consensual, a contract of sale has the force of law between the contracting parties and they are expected to abide in good faith by their respective contractual commitments. Article 1358 of the Civil Code which requires the embodiment of certain contracts in a public instrument, is only for convenience, [19] and registration of the instrument only adversely affects third parties. [20] Formal requirements are, therefore, for the benefit of third parties. Non-compliance therewith does not adversely affect the validity of the contract nor the contractual rights and obligations of the parties thereunder.

It is evident from the facts of the case that there was a meeting of the minds between petitioner and Dr. Cruz. As such, they are bound by the contract unless there are reasons or circumstances that warrant its nullification. Hence, the problem that should be addressed in this case is whether or not under the facts duly established herein, the contract can be voided in accordance with law so as to compel the parties to restore to each other the things that have been the subject of the contract with their fruits, and the price with interest. [21]

Contracts that are voidable or annulable, even though there may have been no damage to the contracting parties are: (1) those where one of the parties is incapable of giving consent to a contract; and (2) those where the consent is vitiated by mistake, violence, intimidation, undue influence or fraud. [22] Accordingly, petitioner now stresses before this Court that he entered into the contract in the belief that the pair of emerald-cut diamond earrings was genuine. On the pretext that those pieces of jewelry turned out to be counterfeit, however, petitioner subsequently sought the nullification of said contract on the ground that it was, in fact, "tainted with fraud" [23] such that his consent was vitiated.

There is fraud when, through the insidious words or machinations of one of the contracting parties, the other is induced to enter into a contract which, without them, he would not have agreed to. [24] The records, however, are bare of any evidence manifesting that private respondents employed such insidious words or machinations to

entice petitioner into entering the contract of barter. Neither is there any evidence showing that Dr. Cruz induced petitioner to sell his Tanay property or that she cajoled him to take the earrings in exchange for said property. On the contrary, Dr. Cruz did not initially accede to petitioner's proposal to buy the said jewelry. Rather, it appears that it was petitioner, through his agents, who led Dr. Cruz to believe that the Tanay property was worth exchanging for her jewelry as he represented that its value was P400,000.00 or more than double that of the jewelry which was valued only at P160,000.00. If indeed petitioner's property was truly worth that much, it was certainly contrary to the nature of a businessman-banker like him to have parted with his real estate for half its price. In short, it was in fact petitioner who resorted to machinations to convince Dr. Cruz to exchange her jewelry for the Tanay property.

Moreover, petitioner did not clearly allege mistake as a ground for nullification of the contract of sale. Even assuming that he did, petitioner cannot successfully invoke the same. To invalidate a contract, mistake must "refer to the substance of the thing that is the object of the contract, or to those conditions which have principally moved one or both parties to enter into the contract." [25] An example of mistake as to the object of the contract is the substitution of a specific thing contemplated by the parties with another. [26] In his allegations in the complaint, petitioner insinuated that an inferior one or one that had only Russian diamonds was substituted for the jewelry he wanted to exchange with his 10-hectare land. He, however, failed to prove the fact that prior to the delivery of the jewelry to him, private respondents endeavored to make such substitution.

Likewise, the facts as proven do not support the allegation that petitioner himself could be excused for the "mistake." On account of his work as a banker-jeweler, it can be rightfully assumed that he was an expert on matters regarding gems. He had the intellectual capacity and the business acumen as a banker to take precautionary measures to avert such a mistake, considering the value of both the jewelry and his land. The fact that he had seen the jewelry before October 24, 1984 should not have precluded him from having its genuineness tested in the presence of Dr. Cruz. Had he done so, he could have avoided the present situation that he himself brought about. Indeed, the finger of suspicion of switching the genuine jewelry for a fake inevitably points to him. Such a mistake caused by manifest negligence cannot invalidate a juridical act. [27] As the Civil Code provides, "(t)here is no mistake if the party alleging it knew the doubt, contingency or risk affecting the object of the contract." [28]

Furthermore, petitioner was afforded the reasonable opportunity required in Article 1584 of the Civil Code within which to examine the jewelry as he in fact accepted them when asked by Dr. Cruz if he was satisfied with the same. [29] By taking the jewelry outside the bank, petitioner executed an act which was more consistent with his exercise of ownership over it. This gains credence when it is borne in mind that he himself had earlier delivered the Tanay property to Dr. Cruz by affixing his signature to the contract of sale. That after two hours he later claimed that the jewelry was not the one he intended in exchange for his Tanay property, could not sever the juridical tie that now bound him and Dr. Cruz. The nature and value of the thing he had taken preclude its return after that supervening period within which anything could have happened, not excluding the alteration of the jewelry or its being switched with an inferior kind.

Both the trial and appellate courts, therefore, correctly ruled that there were no legal bases for the nullification of the contract of sale. Ownership over the parcel of land and the pair of emerald-cut diamond earrings had been transferred to Dr. Cruz and petitioner, respectively, upon the actual and constructive delivery thereof. [30] Said contract of sale being absolute in nature, title passed to the vendee upon delivery of the thing sold since there was no stipulation in the contract that title to the property sold has been reserved in the seller until full payment of the price or that the vendor has the right to unilaterally resolve the contract the moment the buyer fails to pay within a fixed period. [31] Such stipulations are not manifest in the contract of sale.

While it is true that the amount of P40,000.00 forming part of the consideration was still payable to petitioner, its nonpayment by Dr. Cruz is not a sufficient cause to invalidate the contract or bar the transfer of ownership and possession of the things exchanged considering the fact that their contract is silent as to when it becomes due and demandable.[32]

Neither may such failure to pay the balance of the purchase price result in the payment of interest thereon. Article 1589 of the Civil Code prescribes the payment of interest by the vendee “for the period between the delivery of the thing and the payment of the price” in the following cases:

- “(1) Should it have been so stipulated;
- (2) Should the thing sold and delivered produce fruits or income;
- (3) Should he be in default, from the time of judicial or extrajudicial demand for the payment of the price.”

Not one of these cases obtains here. This case should, of course, be distinguished from *De la Cruz v. Legaspi*,[33] where the court held that failure to pay the consideration after the notarization of the contract as previously promised resulted in the vendee’s liability for payment of interest. In the case at bar, there is no stipulation for the payment of interest in the contract of sale nor proof that the Tanay property produced fruits or income. Neither did petitioner demand payment of the price as in fact he filed an action to nullify the contract of sale.

All told, petitioner appears to have elevated this case to this Court for the principal reason of mitigating the amount of damages awarded to both private respondents which petitioner considers as “exorbitant.” He contends that private respondents do not deserve at all the award of damages. In fact, he pleads for the total deletion of the award as regards private respondent Belarmino whom he considers a mere “nominal party” because “no specific claim for damages against him” was alleged in the complaint. When he filed the case, all that petitioner wanted was that Atty. Belarmino should return to him the owner’s duplicate copy of TCT No. 320725, the deed of sale executed by Fr. Antonio Jacobo, the deed of redemption and the check allotted for expenses. Petitioner alleges further that Atty. Belarmino should not have delivered all those documents to Dr. Cruz because as the “lawyer for both the seller and the buyer in the sale contract, he should have protected the rights of both parties.” Moreover, petitioner asserts that there was no firm basis for damages except for Atty. Belarmino’s uncorroborated testimony.[34]

Moral and exemplary damages may be awarded without proof of pecuniary loss. In awarding such damages, the court shall take into account the circumstances obtaining in the case and assess damages according to its discretion.[35] To warrant the award of damages, it must be shown that the person to whom these are awarded has sustained injury. He must likewise establish sufficient data upon which the court can properly base its estimate of the amount of damages.[36] Statements of facts should establish such data rather than mere conclusions or opinions of witnesses.[37] Thus:

“x x x. For moral damages to be awarded, it is essential that the claimant must have satisfactorily proved during the trial the existence of the factual basis of the damages and its causal connection with the adverse party’s acts. If the court has no proof or evidence upon which the claim for moral damages could be based, such indemnity could not be outrightly awarded. The same holds true with respect to the award of exemplary damages where it must be shown that the party acted in a wanton, oppressive or malevolent manner.”[38]

In this regard, the lower court appeared to have awarded damages on a ground analogous to malicious prosecution under Article 2219(8) of the Civil Code[39] as shown by (1) petitioner’s “wanton bad faith” in bloating the value of the Tanay property which he exchanged for “a genuine pair of emerald-cut diamond worth P200,000.00;” and (2) his filing of a “malicious and unfounded case” against private respondents who were “well known, respected

and held in high esteem in San Pablo City where everybody practically knows everybody” and whose good names in the “twilight of their lives” were soiled by petitioner’s coming to court with “unclean hands,” thereby affecting their earning capacity in the exercise of their respective professions and besmirching their reputation.

For its part, the Court of Appeals affirmed the award of damages to private respondents for these reasons:

“The malice with which Fule filed this case is apparent. Having taken possession of the genuine jewelry of Dra. Cruz, Fule now wishes to return a fake jewelry to Dra. Cruz and, more than that, get back the real property, which his bank owns. Fule has obtained a genuine jewelry which he could sell anytime, anywhere and to anybody, without the same being traced to the original owner for practically nothing. This is plain and simple, unjust enrichment.”[40]

While, as a rule, moral damages cannot be recovered from a person who has filed a complaint against another in good faith because it is not sound policy to place a penalty on the right to litigate,[41] the same, however, cannot apply in the case at bar. The factual findings of the courts a quo to the effect that petitioner filed this case because he was the victim of fraud; that he could not have been such a victim because he should have examined the jewelry in question before accepting delivery thereof, considering his exposure to the banking and jewelry businesses; and that he filed the action for the nullification of the contract of sale with unclean hands, all deserve full faith and credit to support the conclusion that petitioner was motivated more by ill will than a sincere attempt to protect his rights in commencing suit against respondents.

As pointed out earlier, a closer scrutiny of the chain of events immediately prior to and on October 24, 1984 itself would amply demonstrate that petitioner was not simply negligent in failing to exercise due diligence to assure himself that what he was taking in exchange for his property were genuine diamonds. He had rather placed himself in a situation from which it preponderantly appears that his seeming ignorance was actually just a ruse. Indeed, he had unnecessarily dragged respondents to face the travails of litigation in speculating at the possible favorable outcome of his complaint when he should have realized that his supposed predicament was his own making. We, therefore, see here no semblance of an honest and sincere belief on his part that he was swindled by respondents which would entitle him to redress in court. It must be noted that before petitioner was able to convince Dr. Cruz to exchange her jewelry for the Tanay property, petitioner took pains to thoroughly examine said jewelry, even going to the extent of sketching their appearance. Why at the precise moment when he was about to take physical possession thereof he failed to exert extra efforts to check their genuineness despite the large consideration involved has never been explained at all by petitioner. His acts thus failed to accord with what an ordinary prudent man would have done in the same situation. Being an experienced banker and a businessman himself who deliberately skirted a legal impediment in the sale of the Tanay property and to minimize the capital gains tax for its exchange, it was actually gross recklessness for him to have merely conducted a cursory examination of the jewelry when every opportunity for doing so was not denied him. Apparently, he carried on his person a tester which he later used to prove the alleged fakery but which he did not use at the time when it was most needed. Furthermore, it took him two more hours of unexplained delay before he complained that the jewelry he received were counterfeit. Hence, we stated earlier that anything could have happened during all the time that petitioner was in complete possession and control of the jewelry, including the possibility of substituting them with fake ones, against which respondents would have a great deal of difficulty defending themselves. The truth is that petitioner even failed to successfully prove during trial that the jewelry he received from Dr. Cruz were not genuine. Add to that the fact that he had been shrewd enough to bloat the Tanay property’s price only a few days after he purchased it at a much lower value. Thus, it is our considered view that if this slew of circumstances were connected, like pieces of fabric sewn into a quilt, they would sufficiently demonstrate that his acts were not merely negligent but rather studied and deliberate.

We do not have here, therefore, a situation where petitioner's complaint was simply found later to be based on an erroneous ground which, under settled jurisprudence, would not have been a reason for awarding moral and exemplary damages.[42] Instead, the cause of action of the instant case appears to have been contrived by petitioner himself. In other words, he was placed in a situation where he could not honestly evaluate whether his cause of action has a semblance of merit, such that it would require the expertise of the courts to put it to a test. His insistent pursuit of such case then coupled with circumstances showing that he himself was guilty in bringing about the supposed wrongdoing on which he anchored his cause of action would render him answerable for all damages the defendant may suffer because of it. This is precisely what took place in the petition at bar and we find no cogent reason to disturb the findings of the courts below that respondents in this case suffered considerable damages due to petitioner's unwarranted action.

WHEREFORE, the decision of the Court of Appeals dated October 20, 1992 is hereby **AFFIRMED** in toto. Dr. Cruz, however, is ordered to pay petitioner the balance of the purchase price of P40,000.00 within ten (10) days from the finality of this decision. Costs against petitioner.

SO ORDERED.

Narvasa, CJ. (Chairman), Kapunan and Purisima, JJ., concur.

[1] Penned by Judge J. Ausberto D. Jaramillo, Jr.

[2] Note that the parties seemed to have intended a barter although what they eventually executed was a deed of absolute sale. See in this connection Article 1468 of the Civil Code which provides that: "If the consideration of the contract consists partly in money, and partly in another thing, the transaction shall be characterized by the manifest intention of the parties. If such intention does not clearly appear, it shall be considered a barter if the value of the thing given as a part of the consideration exceeds the amount of the money or its equivalent; otherwise, it is a sale"

[3] Rollo, p. 35.

[4] Ibid., p. 36.

[5] Id., p. 37.

[6] Id., pp. 39-40.

[7] Penned by Associate Justice Manuel C. Herrera and concurred in by Associate Justices Justo P. Torres, Jr. and Angelina S. Gutierrez.

[8] Petition, p. 5, Rollo, p. 11.

[9] Ibid., p. 3, citing *Garcia v. Court of Appeals*, 33 SCRA 622 (1970) and *Roque v. Buan*, 21 SCRA 642 (1967).

[10] *Sandoval v. Court of Appeals*, 260 SCRA 283 (1996).

[11] *B.A. Finance Corporation v. Court of Appeals*, 229 SCRA 566 (1994).

[12] Petition, pp. 6-7; Rollo, pp. 12-13.

[13] Atty. Belarmino's Comment, pp. 2-3; Rollo, pp. 63-64.

[14] Rule 3.05, Code of Judicial Conduct.

- [15] Castaños v. Escaño, Jr., 251 SCRA 174 (1995).
- [16] Manlavi v. Gacott, Jr., 313 Phil. 738, citing Abiera v. Maceda, 233 SCRA 520 (1994).
- [17] Art. 1315, Civil Code.
- [18] Art. 1475, Civil Code; Romero v. Court of Appeals, 250 SCRA 223 (1995).
- [19] Aspi v. Court of Appeals, 236 SCRA 94 (1994).
- [20] Olegario v. Court of Appeals, 238 SCRA 96 (1994).
- [21] Art. 1398, Civil Code; Ines v. Court of Appeals, 317 Phil. 373.
- [22] Art. 1390, Civil Code.
- [23] Appellant's Brief in the Court of Appeals, p. 5; CA Rollo, p. 32.
- [24] Art. 1338, Civil Code.
- [25] Art. 1331, Civil Code.
- [26] TOLENTINO, IV CIVIL CODE OF THE PHILIPPINES, 478 (1991) citing Borrel y Soler, Nulidad, p. 221.
- [27] Ibid., p. 487.
- [28] Art. 1333, Civil Code.
- [29] Art. 1585, Civil Code.
- [30] Art. 1477, Civil Code.
- [31] Adelfa Properties, Inc. v. Court of Appeals, 240 SCRA 565 (1995).
- [32] Ocampo v. Court of Appeals, 233 SCRA 551 (1994) citing Filoil Marketing Corporation v. Intermediate Appellate Court, 169 SCRA 293 (1989).
- [33] 98 Phil. 43.
- [34] Petition, pp. 17-18, Rollo, pp. 23-24.
- [35] Art. 2216, Civil Code.
- [36] 25A C.J.S. 70, citing Standard Acc. Ins. Co. v. U.S., 102 Ct.Cl. 770, 65 S.Ct. 1409, 325 U.S. 870, 89 L.Ed. 1989.
- [37] Ibid., at p. 72, citing McCracken v. Stewart, 223 P.2d 963, 170 Kan. 129.
- [38] Philippine Airlines, Inc. v. NLRC, 259 SCRA 459 (1996).
- [39] Note that this is not exactly a case of malicious prosecution. Article 2219, however, in enumerating the specific instances when moral damages may be recovered refers to "analogous cases" or that which resemble or correspond to those enumerated. The circumstances in this case closely resemble that of malicious prosecution.
- [40] Rollo, p. 49.
- [41] Philippine National Bank v. Court of Appeals, 159 SCRA 433 (1988); Lagman v. Intermediate Appellate Court, 166 SCRA 734 (1988).

[42] In *R & B Surety and Insurance v. Intermediate Appellate Court*, 129 SCRA 736 (1984), the Court said: “x x x the mere fact that an action is later found to be based on an erroneous ground does not per se make its initiator guilty of bad faith and liable for damages x x x. Sound principles of justice and public policy demand that persons shall have free resort to courts of law for redress of wrongs and vindication of their rights without fear of later on standing trial for damages should their actions lose ground.”

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