

TOYOTA SHAW, INC., PETITIONER, VS. COURT OF APPEALS AND LUNA L. SOSA, RESPONDENTS.

G.R. No. 116650. May 23, 1995

Ponente: DAVIDE, JR., J.

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DAVIDE, JR., J.:

At the heart of the present controversy is the document marked Exhibit "A"[1] for the private respondent, which was signed by a sales representative of Toyota Shaw, Inc. named Popong Bernardo. The document reads as follows:

4 June 1989

AGREEMENTS BETWEEN MR.
SOSA & POPONG BERNARDO
OF TOYOTA SHAW, INC.

- all necessary documents will be submitted to TOYOTA SHAW, INC. (POPONG BERNARDO) a week after, upon arrival of Mr. Sosa from the Province (Marinduque) where the unit will be used on the 19th of June.
- the downpayment of P100,000.00 will be paid by Mr. Sosa on June 15, 1989
- the TOYOTA SHAW, INC. LITE ACE yellow, will be pick-up [sic] and released by TOYOTA SHAW, INC. on the 17th of June at 10 a.m.

Very truly yours,

(Sgd.) POPONG BERNARDO.

Was this document, executed and signed by the petitioner's sales representative, a perfected contract of sale, binding upon the petitioner, breach of which would entitle the private respondent to damages and attorney's fees? The trial court and the Court of Appeals took the affirmative view. The petitioner disagrees. Hence, this petition for review on certiorari.

The antecedents as disclosed in the decisions of both the trial court and the Court of Appeals, as well as in the pleadings of petitioner Toyota Shaw, Inc. (hereinafter Toyota) and respondent Luna L. Sosa (hereinafter Sosa) are as follows. Sometime in June of 1989, Luna L. Sosa wanted to purchase a Toyota Lite Ace. It was then a seller's market and Sosa had difficulty finding a dealer with an available unit for sale. But upon contacting Toyota Shaw, Inc., he was told that there was an available unit. So on 14 June 1989, Sosa and his son, Gilbert, went to the Toyota office at Shaw Boulevard, Pasig, Metro Manila. There they met Popong Bernardo, a sales representative of Toyota.

Sosa emphasized to Bernardo that he needed the Lite Ace not later than 17 June 1989 because he, his family, and a balikbayan guest would use it on 18 June 1989 to go to Marinduque, his home province, where he would celebrate his birthday on the 19th of June. He added that if he does not arrive in his hometown with the new car,

he would become a "laughing stock." Bernardo assured Sosa that a unit would be ready for pick up at 10:00 a.m. on 17 June 1989. Bernardo then signed the aforementioned "Agreements Between Mr. Sosa & Popong Bernardo of Toyota Shaw, Inc." It was also agreed upon by the parties that the balance of the purchase price would be paid by credit financing through B.A. Finance, and for this Gilbert, on behalf of his father, signed the documents of Toyota and B.A. Finance pertaining to the application for financing.

The next day, 15 June 1989, Sosa and Gilbert went to Toyota to deliver the downpayment of P100,000.00. They met Bernardo who then accomplished a printed Vehicle Sales Proposal (VSP) No. 928,[2] on which Gilbert signed under the subheading CONFORME. This document shows that the customer's name is "MR. LUNA SOSA" with home address at No. 2316 Guijo Street, United Parañaque II; that the model series of the vehicle is a "Lite Ace 1500" described as "4 Dr minibus"; that payment is by "installment," to be financed by "B.A.,"[3] with the initial cash outlay of P100,000.00 broken down as follows:

a)

downpayment

-

P53,148.00

b)

insurance

-

P13,970.00

c)

BLT registration fee

-

P 1,067.00

CHMO fee

-

P 2,715.00

service fee

-

P 500.00

accessories

-

P29,000.00

and that the "BALANCE TO BE FINANCED" is "P274,137.00." The spaces provided for "Delivery Terms" were not filled-up. It also contains the following pertinent provisions:

CONDITIONS OF SALES

- This sale is subject to availability of unit.
- Stated Price is subject to change without prior notice. Price prevailing and in effect at time of selling will apply.....

Rodrigo Quirante, the Sales Supervisor of Bernardo, checked and approved the VSP.

On 17 June 1989, at around 9:30 a.m., Bernardo called Gilbert to inform him that the vehicle would not be ready for pick up at 10:00 a.m. as previously agreed upon but at 2:00 p.m. that same day. At 2:00 p.m., Sosa and Gilbert met Bernardo at the latter's office. According to Sosa, Bernardo informed them that the Lite Ace was being readied for delivery. After waiting for about an hour, Bernardo told them that the car could not be delivered because "nasulot ang unit ng ibang malakas."

Toyota contends, however, that the Lite Ace was not delivered to Sosa because of the disapproval by B.A. Finance of the credit financing application of Sosa. It further alleged that a particular unit had already been reserved and earmarked for Sosa but could not be released due to the uncertainty of payment of the balance of the purchase price. Toyota then gave Sosa the option to purchase the unit by paying the full purchase price in cash but Sosa refused.

After it became clear that the Lite Ace would not be delivered to him, Sosa asked that his downpayment be refunded. Toyota did so on the very same day by issuing a Far East Bank check for the full amount of P100,000.00,[4] the receipt of which was shown by a check voucher of Toyota,[5] which Sosa signed with the reservation, "without prejudice to our future claims for damages."

Thereafter, Sosa sent two letters to Toyota. In the first letter, dated 27 June 1989 and signed by him, he demanded the refund, within five days from receipt, of the downpayment of P100,000.00 plus interest from the time he paid it and the payment of damages with a warning that in case of Toyota's failure to do so he would be constrained to take legal action.[6] The second, dated 4 November 1989 and signed by M.O. Caballes, Sosa's counsel, demanded one million pesos representing interest and damages, again, with a warning that legal action would be taken if payment was not made within three days.[7] Toyota's counsel answered through a letter dated 27 November 1989[8] refusing to accede to the demands of Sosa. But even before this answer was made and received by Sosa, the latter filed on 20 November 1989 with Branch 38 of the Regional Trial Court (RTC) of Marinduque a complaint against Toyota for damages under Articles 19 and 21 of the Civil Code in the total amount of P1,230,000.00.[9] He alleges, inter alia, that:

- As a result of defendant's failure and/or refusal to deliver the vehicle to plaintiff, plaintiff suffered embarrassment, humiliation, ridicule, mental anguish and sleepless nights because: (i) he and his family were constrained to take the public transportation from Manila to Lucena City on their way to Marinduque; (ii) his balikbayan-guest canceled his scheduled first visit to Marinduque in order to avoid the inconvenience of taking public transportation; and (iii) his relatives, friends, neighbors and other provincemates, continuously irked

him about "his Brand-New Toyota Lite Ace— that never was." Under the circumstances, defendant should be made liable to the plaintiff for moral damages in the amount of One Million Pesos (P1,000,000.00).[10]

In its answer to the complaint, Toyota alleged that no sale was entered into between it and Sosa, that Bernardo had no authority to sign Exhibit "A" for and in its behalf, and that Bernardo signed Exhibit "A" in his personal capacity. As special and affirmative defenses, it alleged that: the VSP did not state a date of delivery; Sosa had not completed the documents required by the financing company, and as a matter of policy, the vehicle could not and would not be released prior to full compliance with financing requirements, submission of all documents, and execution of the sales agreement/invoice; the P100,000.00 was returned to and received by Sosa; the venue was improperly laid; and Sosa did not have a sufficient cause of action against it. It also interposed compulsory counterclaims.

After trial on the issues agreed upon during the pre-trial session,[11] the trial court rendered on 18 February 1992 a decision in favor of Sosa.[12] It ruled that Exhibit "A," the "AGREEMENTS BETWEEN MR. SOSA AND POPONG BERNARDO," was a valid perfected contract of sale between Sosa and Toyota which bound Toyota to deliver the vehicle to Sosa, and further agreed with Sosa that Toyota acted in bad faith in selling to another the unit already reserved for him.

As to Toyota's contention that Bernardo had no authority to bind it through Exhibit "A," the trial court held that the extent of Bernardo's authority "was not made known to plaintiff," for as testified to by Quirante, "they do not volunteer any information as to the company's sales policy and guidelines because they are internal matters." [13] Moreover, "[f]rom the beginning of the transaction up to its consummation when the downpayment was made by the plaintiff, the defendants had made known to the plaintiff the impression that Popong Bernardo is an authorized sales executive as it permitted the latter to do acts within the scope of an apparent authority holding him out to the public as possessing power to do these acts." [14] Bernardo then "was an agent of the defendant Toyota Shaw, Inc. and hence bound the defendants." [15]

The court further declared that "Luna Sosa proved his social standing in the community and suffered besmirched reputation, wounded feelings and sleepless nights for which he ought to be compensated." [16] Accordingly, it disposed as follows:

WHEREFORE, viewed from the above findings, judgment is hereby rendered in favor of the plaintiff and against the defendant:

- ordering the defendant to pay to the plaintiff the sum of P75,000.00 for moral damages;
- ordering the defendant to pay the plaintiff the sum of P10,000.00 for exemplary damages;
- ordering the defendant to pay the sum of P30,000.00 attorney's fees plus P2,000.00 lawyer's transportation fare per trip in attending to the hearing of this case;
- ordering the defendant to pay the plaintiff the sum of P2,000.00 transportation fare per trip of the plaintiff in attending the hearing of this case; and
- ordering the defendant to pay the cost of suit.

SO ORDERED.

Dissatisfied with the trial court's judgment, Toyota appealed to the Court of Appeals. The case was docketed as CA-G.R. CV No. 40043. In its decision promulgated on 29 July 1994,[17] the Court of Appeals affirmed in toto the appealed decision.

Toyota now comes before this Court via this petition and raises the core issue stated at the beginning of the

ponencia and also the following related issues: (a) whether or not the standard VSP was the true and documented understanding of the parties which would have led to the ultimate contract of sale, (b) whether or not Sosa has any legal and demandable right to the delivery of the vehicle despite the non-payment of the consideration and the non-approval of his credit application by B.A. Finance, (c) whether or not Toyota acted in good faith when it did not release the vehicle to Sosa, and (d) whether or not Toyota may be held liable for damages.

We find merit in the petition.

Neither logic nor recourse to one's imagination can lead to the conclusion that Exhibit "A" is a perfected contract of sale.

Article 1458 of the Civil Code defines a contract of sale as follows:

ART. 1458. By the contract of sale one of the contracting parties obligates himself to transfer the ownership of and to deliver a determinate thing, and the other to pay therefor a price certain in money or its equivalent.

A contract of sale may be absolute or conditional.

and Article 1475 specifically provides when it is deemed perfected:

ART. 1475. The contract of sale is perfected at the moment there is a meeting of minds upon the thing which is the object of the contract and upon the price.

From that moment, the parties may reciprocally demand performance, subject to the provisions of the law governing the form of contracts.

What is clear from Exhibit "A" is not what the trial court and the Court of Appeals appear to see. It is not a contract of sale. No obligation on the part of Toyota to transfer ownership of a determinate thing to Sosa and no correlative obligation on the part of the latter to pay therefor a price certain appears therein. The provision on the downpayment of P100,000.00 made no specific reference to a sale of a vehicle. If it was intended for a contract of sale, it could only refer to a sale on installment basis, as the VSP executed the following day confirmed. But nothing was mentioned about the full purchase price and the manner the installments were to be paid.

This Court had already ruled that a definite agreement on the manner of payment of the price is an essential element in the formation of a binding and enforceable contract of sale.[18] This is so because the agreement as to the manner of payment goes into the price such that a disagreement on the manner of payment is tantamount to a failure to agree on the price. Definiteness as to the price is an essential element of a binding agreement to sell personal property.[19]

Moreover, Exhibit "A" shows the absence of a meeting of minds between Toyota and Sosa. For one thing, Sosa did not even sign it. For another, Sosa was well aware from its title, written in bold letters, viz.,

AGREEMENTS BETWEEN MR
SOSA & POPONG BERNARDO
OF TOYOTA SHAW, INC.

that he was not dealing with Toyota but with Popong Bernardo and that the latter did not misrepresent that he had the authority to sell any Toyota vehicle. He knew that Bernardo was only a sales representative of Toyota and hence a mere agent of the latter. It was incumbent upon Sosa to act with ordinary prudence and reasonable diligence to know the extent of Bernardo's authority as an agent[20] in respect of contracts to sell Toyota's vehicles. A person dealing with an agent is put upon inquiry and must discover upon his peril the authority of the agent.[21]

At the most, Exhibit "A" may be considered as part of the initial phase of the generation or negotiation stage of a contract of sale. There are three stages in the contract of sale, namely:

(a)

preparation, conception, or generation, which is the period of negotiation and bargaining, ending at the moment of agreement of the parties;

(b)

perfection or birth of the contract, which is the moment when the parties come to agree on the terms of the contract; and

(c)

consummation or death, which is the fulfillment or performance of the terms agreed upon in the contract.[22]

The second phase of the generation or negotiation stage in this case was the execution of the VSP. It must be emphasized that thereunder, the downpayment of the purchase price was P53,148.00 while the balance to be paid on installment should be financed by B.A. Finance Corporation. It is, of course, to be assumed that B.A. Finance Corp. was acceptable to Toyota, otherwise it should not have mentioned B.A. Finance in the VSP.

Financing companies are defined in Section 3(a) of R.A. No. 5980, as amended by P.D. No. 1454 and P.D. No. 1793, as "corporations or partnerships, except those regulated by the Central Bank of the Philippines, the Insurance Commission and the Cooperatives Administration Office, which are primarily organized for the purpose of extending credit facilities to consumers and to industrial, commercial, or agricultural enterprises, either by discounting or factoring commercial papers or accounts receivables, or by buying and selling contracts, leases, chattel mortgages, or other evidence of indebtedness, or by leasing of motor vehicles, heavy equipment and industrial machinery, business and office machines and equipment, appliances and other movable property." [23]

Accordingly, in a sale on installment basis which is financed by a financing company, three parties are thus involved: the buyer who executes a note or notes for the unpaid balance of the price of the thing purchased on installment, the seller who assigns the notes or discounts them with a financing company, and the financing company which is subrogated in the place of the seller, as the creditor of the installment buyer.[24] Since B.A. Finance did not approve Sosa's application, there was then no meeting of minds on the sale on installment basis.

We are inclined to believe Toyota's version that B.A. Finance disapproved Sosa's application for which reason it suggested to Sosa that he pay the full purchase price. When the latter refused, Toyota cancelled the VSP and returned to him his P100,000.00. Sosa's version that the VSP was cancelled because, according to Bernardo, the vehicle was delivered to another who was "mas malakas" does not inspire belief and was obviously a delayed afterthought. It is claimed that Bernardo said, "Pasensiya kayo, nasulot ang unit ng ibang malakas," while the Sosas had already been waiting for an hour for the delivery of the vehicle in the afternoon of 17 June 1989. However, in paragraph 7 of his complaint, Sosa solemnly states:

On June 17, 1989 at around 9:30 o'clock in the morning, defendant's sales representative, Mr. Popong Bernardo, called plaintiff's house and informed the plaintiff's son that the vehicle will not be ready for pick-up at 10:00 a.m. of June 17, 1989 but at 2:00 p.m. of that day instead. Plaintiff and his son went to defendant's office on June 17, 1989 at 2:00 p.m. in order to pick-up the vehicle but the defendant, for reasons known only to its representatives, refused and/or failed to release the vehicle to the plaintiff. Plaintiff demanded for an explanation, but nothing was given; . . . (Italics supplied)[25]

The VSP was a mere proposal which was aborted in lieu of subsequent events. It follows that the VSP created no

demandable right in favor of Sosa for the delivery of the vehicle to him, and its non-delivery did not cause any legally indemnifiable injury.

The award then of moral and exemplary damages and attorney's fees and costs of suit is without legal basis. Besides, the only ground upon which Sosa claimed moral damages is that since it was known to his friends, townmates, and relatives that he was buying a Toyota Lite Ace which they expected to see on his birthday, he suffered humiliation, shame, and sleepless nights when the van was not delivered. The van became the subject matter of talks during his celebration that he may not have paid for it, and this created an impression against his business standing and reputation. At the bottom of this claim is nothing but misplaced pride and ego. He should not have announced his plan to buy a Toyota Lite Ace knowing that he might not be able to pay the full purchase price. It was he who brought embarrassment upon himself by bragging about a thing which he did not own yet.

Since Sosa is not entitled to moral damages and there being no award for temperate, liquidated, or compensatory damages, he is likewise not entitled to exemplary damages. Under Article 2229 of the Civil Code, exemplary or corrective damages are imposed by way of example or correction for the public good, in addition to moral, temperate, liquidated, or compensatory damages.

Also, it is settled that for attorney's fees to be granted, the court must explicitly state in the body of the decision, and not only in the dispositive portion thereof, the legal reason for the award of attorney's fees.[26] No such explicit determination thereon was made in the body of the decision of the trial court. No reason thus exists for such an award.

WHEREFORE, the instant petition is GRANTED. The challenged decision of the Court of Appeals in CA-G.R. CV No. 40043 as well as that of Branch 38 of the Regional Trial Court of Marinduque in Civil Case No. 89-14 are REVERSED and SET ASIDE and the complaint in Civil Case No. 89-14 is DISMISSED. The counterclaim therein is likewise DISMISSED.

No pronouncement as to costs.

SO ORDERED.

Padilla, (Chairman), Bellosillo, and Kapunan, JJ., concur.
Quiason, J., on leave.

[1] Annex "A" of Complaint in Civil Case No. 89-14 of Branch 38 of the Regional Trial Court of Marinduque; Rollo, 70.

[2] Annex of Answer in Civil Case No. 89-14; Rollo, 82; Annex "E" of Petition; Rollo, 85.

[3] Referring to B.A. Finance.

[4] Exhibit "3," Annex "G" of Petition; Rollo, 86.

[5] Exhibit "4," Annex "H" of Petition; Rollo, 87.

[6] Annex "C" of Complaint in Civil Case No. 89-14; Id., 71-72. This downpayment had already been refunded and received by Sosa himself as shown by the Check Voucher, Exhibit "4."

[7] Annex "C-1," Id.; Id., 73-74.

[8] Annex "I" of Petition; Id., 88-89.

[9] Annex "B," Id.; Id., 64-69.

[10] Rollo, 67.

[11] Id., 83-84.

[12] Id., 90-108. Per Judge Romulo A. Lopez.

[13] Rollo, 104.

[14] Id.

[15] Id.

[16] Id., 107.

[17] Annex "A" of Petition; Rollo, 45-62. Per Tayao-Jaguros, L., J., with Elbinias, J. and Salas, B., JJ., concurring.

[18] Velasco vs. Court of Appeals, 51 SCRA 439 [1973], citing Navarro vs. Sugar Producers Cooperative Marketing Association, 1 SCRA 1180 [1961].

[19] 67 Am Jur 2d Sales § 105 [1973].

[20] See Harry Keeler Electric Co. vs. Rodriguez, 44 Phil. 19 [1922]; B.A. Finance Corp. vs. Court of Appeals, 211 SCRA 112 [1992].

[21] Cruz vs. Court of Appeals, 201 SCRA 495 [1991]; Pineda vs. Court of Appeals, 226 SCRA 754 [1993].

[22] ARTURO M. TOLENTINO, Commentaries and Jurisprudence on the Civil Code of the Philippines, vol. 4, 1985 ed., 411; EDGARDO L. PARAS, Civil Code of the Philippines Annotated, vol. 4, 1989 ed., 490.

[23] See Beltran vs. PAIC Finance Corp., 209 SCRA 105 [1992].

[24] International Harvester Macleod, Inc. vs. Medina, 183 SCRA 485 [1990].

[25] Rollo, 66.

[26] See Central Azucarera de Bais vs. Court of Appeals, 188 SCRA 328 [1990]; Koa vs. Court of Appeals, 219 SCRA 541 [1993]; Scott Consultants & Resource Development Corp. vs. Court of Appeals, G.R. No. 112916, 16 March 1995.

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