

ALLIED AGRI-BUSINESS DEVELOPMENT CO., INC., VS. COURT OF APPEALS AND CHERRY VALLEY FARMS LIMITED, RESPONDENTS.

G.R. No. 118438. December 04, 1998

Ponente: BELLOSILLO, J.

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BELLOSILLO, J.:

ALLIED AGRI-BUSINESS DEVELOPMENT CO., INC. assails in this petition the decision of the Court of Appeals which affirmed the judgment of the trial court granting the motion for summary judgment filed by Cherry Valley Farms Limited based on the implied admissions of petitioner.

On 14 October 1986 respondent Cherry Valley Farms Limited (CHERRY VALLEY), a foreign company based in England, filed against petitioner Allied Agri-Business Development Co. Inc. (ALLIED) a complaint with the Regional Trial Court of Makati City for collection of sum of money alleging, among others that: (a) CHERRY VALLEY is a foreign corporation with principal office at Rothwell, Lincoln, England; (b) on 1 September 1982 up to 16 February 1983, or for a period of less than six (6) months, petitioner ALLIED purchased in ten (10) separate orders and received from respondent CHERRY VALLEY several duck hatching eggs and ducklings which in value totaled £51,245.12; (c) ALLIED did not pay the total purchase price of £51,245.12 despite repeated demands evidenced by a letter of Solicitor Braithwaite of England in behalf of CHERRY VALLEY; (d) instead of paying its obligation, ALLIED through its president wrote CHERRY VALLEY on 17 July 1985 inviting the latter to be a stockholder in a new corporation to be formed by ALLIED, which invitation however was rejected by CHERRY VALLEY on 26 September 1985; and, (e) ALLIED's president Ricardo Quintos expressly acknowledged through a letter of 8 October 1985 the obligation of his corporation to CHERRY VALLEY. The complaint also prayed that ALLIED be made to pay the sum of £51,245.12 or its peso equivalent at the time of payment, plus legal interest from date of filing of the complaint until full payment, and twenty percent (20%) of the total amount being claimed from petitioner as attorney's fees; and, to pay the costs of suit.

On 27 February 1986 ALLIED filed an answer^[1] denying the material allegations of the complaint and contended that: (a) private respondent CHERRY VALLEY lacked the legal capacity to sue; (b) the letter of Quintos to CHERRY VALLEY was never authorized by the board of petitioner ALLIED, thus any admission made in that letter could not bind ALLIED; (c) the alleged amount of £51,245.12 did not represent the true and real obligation, if any, of petitioner; (d) to the best of the knowledge of ALLIED, not all ducks and ducklings covered and represented by CHERRY VALLEY's invoices were actually ordered by the former; and, (e) private respondent had no cause of action against petitioner.

On 19 July 1988, CHERRY VALLEY served on ALLIED's counsel a Request for Admission^[2] dated 15 July 1988 worded as follows:

1. That the chairman of the board of directors and president of your corporation is Mr. Ricardo V. Quintos;
2. That out of the 3,000,000 subscribed shares of stock, 1,496,000 shares is (sic) owned by Mr. Ricardo Quintos and 1,432,000 shares is(sic) also owned by his wife, Agnes dela Torre;

3. That for a period of six (6) months starting from 1 September 1982, your corporation ordered and received from CHERRY VALLEY duck eggs and ducklings with a total value of £51,245.12 as reflected on CHERRY VALLEY invoices issued to you;
4. That you received a letter dated 22 March 1985 from Mr. P.R.C. Braithwaite, solicitor of CHERRY VALLEY, demanding settlement of your unpaid account of £52,245.12 for the above-stated purchases;
5. That instead of paying your obligation to CHERRY VALLEY, Mr. Ricardo Quintos, in his capacity as president of your corporation, sent a letter to CHERRY VALLEY dated 17 July 1985 proposing the setting up of a new corporation with CHERRY VALLEY refusing acceptance of your proposal;
6. That you received a letter dated 26 September 1985 from Mr. J. Cross, Director and Secretary of CHERRY VALLEY refusing acceptance of your proposal;
7. That Mr. Ricardo Quintos in a letter dated 8 October 1985 admitted your indebtedness in the sum of English Sterling Pounds £51,245.12.

It is further requested that said sworn admission be made within 10 days from receipt of this request.

ALLIED filed its Comments/Objections[3] alleging that: (a) the admissions requested were matters which the private respondent had the burden to prove through its own witness during the trial and thus petitioner need not answer; and, (b) the request for admission regarding the ownership set-up of petitioner corporation was immaterial and improper for not having been pleaded in the complaint.

In its Reply[4] to Comments/Objections to Request for Admission, CHERRY VALLEY maintained that there was no need on its part to produce a witness to testify on the matters requested for admission, for these pertained to incidents personal to and within the knowledge of petitioner alone. Thereafter, on 2 August 1998, CHERRY VALLEY filed a motion with the trial court to resolve the objections of ALLIED to the request for admission.

On 11 August 1988 the trial court issued an Order[5] disregarding ALLIED's Comments/Objections to Request for Admission in view of its non-compliance with Sec. 2, Rule 26, of the Rules of Court and directing ALLIED to answer the request for admission within ten (10) days from receipt of the order, otherwise, the matters contained in the request would be deemed admitted. ALLIED moved to reconsider the order; however, on 8 November 1988 the lower court denied[6] ALLIED's motion for reconsideration and directed the latter to answer the request for admission within a nonextendible period of five (5) days from receipt of the order.

ALLIED failed to submit a sworn answer to the request for admission within the additional period of five (5) days granted by the trial court. Hence, CHERRY VALLEY filed a motion for summary judgment[7] alleging that there was already an implied admission on the matters requested for admission pursuant to Rule 26 of the Rules of Court.

On 23 October 1990, the trial court rendered judgment[8] against petitioner: (a) Ordering defendant to pay plaintiff the sum of £-51,245.12 or its peso equivalent at the time of payment plus legal interest from the date of filing of this complaint until fully paid; and, (b) Ordering defendant to pay plaintiff ten percent (10%) of the total amount due from defendant by way of attorney's fees since no protracted trial was held in this case, plus cost of suit.

ALLIED appealed to the Court of Appeals. On 6 September 1994 the Court of Appeals rendered a decision[9] affirming the summary judgment rendered by the trial court with the modification that ALLIED should pay the monetary award to CHERRY VALLEY in Philippine currency and that the award of attorney's fees and costs of suit be deleted.

Hence, the instant petition by ALLIED alleging that serious errors were committed by the Court of Appeals in affirming the summary judgment of the trial court; that the complaint should have been instantly dismissed on the ground of lack of personality to sue on the part of respondent CHERRY VALLEY; that the summary judgment was tantamount to a denial of ALLIED's right to due process for not requiring CHERRY VALLEY to produce its own witness; and, that the admission requested were matters which CHERRY VALLEY had the burden to prove during the trial.

The petition must fail. We cannot sustain the allegation that respondent CHERRY VALLEY being an unlicensed foreign corporation lacked the legal capacity to institute the suit in the trial court for the recovery of money claims from petitioner. In fact, petitioner is estopped from challenging or questioning the personality of a corporation after having acknowledged the same by entering into a contract with it.[10] The doctrine of lack of capacity to sue or failure of a foreign corporation to acquire a local license was never intended to favor domestic corporations who enter into solitary transactions with unwary foreign firms and then repudiate their obligations simply because the latter are not licensed to do business in this country.[11]

Petitioner cannot also successfully argue that its failure to answer the request for admission did not result in its admission of the matters stated in the request. Section 1 of Rule 26 of the Rules of Court provides:

SECTION 1. Request for admission. - At any time after issues have been joined, a party may file and serve upon any other party a written request for the admission by the latter of the genuineness of any material and relevant document described in and exhibited with the request or of the truth of any material and relevant matter of fact set forth in the request. Copies of the documents shall be delivered with the request unless copies have already been furnished.

The purpose of the rule governing requests for admission of facts and genuineness of documents is to expedite trial and to relieve parties of the costs of proving facts which will not be disputed on trial and the truth of which can be ascertained by reasonable inquiry. Each of the matters of which an admission is requested shall be deemed admitted unless within a period designated in the request which shall not be less than fifteen (15) days after service thereof, or within such further time as the court may allow on motion, the party to whom the request is directed files and serves upon the party requesting the admission a sworn statement either denying specifically the matters of which an admission is requested or setting forth in detail the reasons why he cannot truthfully either admit or deny those matters.[12] Upon service of request for admission, the party served may do any of the following acts: (a) he may admit each of the matters of which an admission is requested, in which case, he need not file an answer; (b) he may admit the truth of the matters of which admission is requested by serving upon the party requesting a written admission of such matters within the period stated in the request, which must not be less than ten (10) days after service, or within such further time as the court may allow on motion and notice; (c) he may file a sworn statement denying specifically the matter of which an admission is requested; or, (d) he may file a sworn statement setting forth in detail the reasons why he cannot truthfully either admit or deny the matters of which an admission is requested.[13]

The records show that although petitioner filed with the trial court its comments and objections to the request for admission served on it by private respondent, the trial court disregarded the objections and directed petitioner after denying its motion for reconsideration, to answer the request within five (5) days from receipt of the directive; otherwise, the matters of which the admission was requested would be deemed admitted. Petitioner failed to submit the required answer within the period. The matter set forth in the request were therefore deemed admitted by petitioner, i.e., (a) that for a period of six (6) months starting from 1 September 1982, petitioner ordered and received from respondent CHERRY VALLEY duck eggs and ducklings amounting to ₱51,245.12; (b) that petitioner received a letter dated 22 March 1985 from private respondent's lawyer demanding payment of

the amount of the purchases; (c) that instead of paying the obligation to respondent CHERRY VALLEY, petitioner's president Ricardo Quintos sent a letter to the former proposing the establishment of a new corporation with CHERRY VALLEY as one of the stockholders; (d) that the proposal was refused by the Director of CHERRY VALLEY; and, (e) that petitioner's president Ricardo Quintos admitted the indebtedness of his corporation to CHERRY VALLEY in the sum of English Sterling Pounds £51,245.12.

The burden of affirmative action is on the party upon whom notice is served to avoid the admission rather than upon the party seeking the admission.[14] Hence, when petitioner failed to reply to a request to admit, it may not argue that the adverse party has the burden of proving the facts sought to be admitted. Petitioner's silence is an admission of the facts stated in the request.[15]

This Court finds that the motion for summary judgment filed by respondent CHERRY VALLEY on the ground that there were no questions of fact in issue since the material allegations of the complaint were not disputed was correctly granted by the trial court. It is a settled rule that summary judgment may be granted if the facts which stand admitted by reason of a party's failure to deny statements contained in a request for admission show that no material issue of fact exists.[16] By its failure to answer the other party's request for admission, petitioner has admitted all the material facts necessary for judgment against itself.[17]

WHEREFORE, the Petition is DENIED. The decision of the Court of Appeals dated 6 September 1994 which AFFIRMED the trial court in "ordering defendant to pay plaintiff the sum of £51,245.12 or its peso equivalent at the time of payment plus legal interest from the date of filing of this complaint until fully paid;" and "ordering defendant to pay plaintiff ten percent (10%) of the total amount due from defendant by way of attorney's fees since no protacted trial was held in this case plus cost of suit," with the modification that "Allied shall pay the monetary award of attorney's fees and costs of suit be deleted," is AFFIRMED. Costs against herein petitioner Allied Agri-Business Development Co., Inc.

SO ORDERED.

Davide, Jr., C.J. (Chairman), Vitug, Panganiban, and Quisumbing, JJ., concur

[1] Records, pp. 28-30.

[2] Id., pp. 93-94.

[3] Rollo, p. 35.

[4] Id.

[5] Id., p. 36.

[6] Id., pp. 17-18.

[7] Records, pp.129-134.

[8] Id., pp. 154-155.

[9] Rollo, pp. 11-27.

[10] Georg Gratjahn GMBA & Co. v. Isnani, G.R. No. 109272, 10 August 1994, 235 SCRA 216.

[11] Communications Materials and Designs, Inc. v. Court of Appeals, G.R. No. 102223, 22 August 1996, 260 SCRA 673.

[12] Sec. 2 Rule 26, Rules of Court; *Motor Service Co. v. Yellow Taxicab Co.*, 96 Phil. 688 [1955].

[13] *Moore's Federal Practice*, p. 2660.

[14] Francisco, Vicente J. *The Revised Rules of Court*, Vol. II, 1966 Ed. p. 242 citing *Kraus v. General Motors Corp.* 29 F Supp. 430.

[15] *Id.*, p. 243, citing *Adventures in Good Eating, Inc. v. Best Places to Eat, Inc.*, 131 F(2d) 809.

[16] *Id.*, p. 414, citing *Walsh v. Connecticut Mutual Life Insurance Co.*, 26 F Supp. 556.

[17] See Note 14.

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