

**FRANCISCO CULABA AND DEMETRIA CULABA, DOING BUSINESS
UNDER THE NAME AND STYLE “CULABA STORE,” PETITIONERS, VS.
COURT OF APPEALS AND SAN MIGUEL CORPORATION,
RESPONDENTS. D E C I ...**

G.R. No. 125862. April 15, 2004

Ponente: CALLEJO, SR., J.

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CALLEJO, SR., J.:

This is a petition for review under Rule 45 of the Revised Rules of Civil Procedure of the Decision[1] of the Court of Appeals in CA-G.R. CV No. 19836 affirming in toto the Decision[2] of the Regional Trial Court of Makati, Branch 138, in Civil Case No. 1033 for collection of sum of money, and the Resolution[3] denying the motion for reconsideration of the said decision.

The Undisputed Facts

The spouses Francisco and Demetria Culaba were the owners and proprietors of the Culaba Store and were engaged in the sale and distribution of San Miguel Corporation’s (SMC) beer products. SMC sold beer products on credit to the Culaba spouses in the amount of P28,650.00, as evidenced by Temporary Credit Invoice No. 42943.[4] Thereafter, the Culaba spouses made a partial payment of P3,740.00, leaving an unpaid balance of P24,910.00. As they failed to pay despite repeated demands, SMC filed an action for collection of a sum of money against them before the RTC of Makati, Branch 138.

The defendant-spouses denied any liability, claiming that they had already paid the plaintiff in full on four separate occasions. To substantiate this claim, the defendants presented four (4) Temporary Charge Sales (TCS) Liquidation Receipts, as follows:

April 19, 1983

Receipt No. 27331

for P8,000[5]

April 22, 1983

Receipt No. 27318

for P9,000[6]

April 27, 1983

Receipt No. 27339

for P4,500[7]

April 30, 1983

Receipt No. 27346

for P3,410[8]

Defendant Francisco Culaba testified that he made the foregoing payments to an SMC supervisor who came in an SMC van. He was then showed a list of customers' accountabilities which included his account. The defendant, in good faith, then paid to the said supervisor, and he was, in turn, issued genuine SMC liquidation receipts.

For its part, SMC submitted a publisher's affidavit[9] to prove that the entire booklet of TCSL Receipts bearing Nos. 27301-27350 were reported lost by it, and that it caused the publication of the notice of loss in the July 9, 1983 issue of the Daily Express, as follows:

NOTICE OF LOSS

OUR CUSTOMERS ARE HEREBY INFORMED THAT TEMPORARY CHARGE SALES LIQUIDATION RECEIPTS WITH SERIAL NOS. 27301-27350 HAVE BEEN LOST.

ANY TRANSACTION, THEREFORE, ENTERED INTO WITH THE USE OF THE ABOVE RECEIPTS WILL NOT BE HONORED.

SAN MIGUEL CORPORATION

BEER DIVISION

Makati Beer Region[10]

The Trial Court's Ruling

After trial on the merits, the trial court rendered judgment in favor of SMC, and held the Culaba spouses liable on the balance of its obligation, thus:

Wherefore, judgment is hereby rendered in favor of the plaintiff, as follows:

- Ordering defendants to pay the amount of P24,910.00 plus legal interest of 6% per annum from April 12, 1983 until the whole amount is fully paid;
- Ordering defendants to pay 20% of the amount due to plaintiff as and for attorney's fees plus costs.

SO ORDERED.[11]

According to the trial court, it was unusual that defendant Francisco Culaba forgot the name of the collector to whom he made the payments and that he did not require the said collector to print his name on the receipts. The court also noted that although they were part of a single booklet, the TCS Liquidation Receipts submitted by the defendants did not appear to have been issued in their natural sequence. Furthermore, they were part of the lost booklet receipts, which the public was duly warned of through the Notice of Loss the plaintiff caused to be published in a daily newspaper. This confirmed the plaintiff's claim that the receipts presented by the defendants were spurious ones.

The Case on Appeal

On appeal, the appellants interposed the following assignment of errors:

I

THE TRIAL COURT ERRED IN FINDING THAT THE RECEIPTS PRESENTED BY DEFENDANTS EVIDENCING HIS PAYMENTS TO PLAINTIFF SAN MIGUEL CORPORATION, ARE SPURIOUS.

II

THE TRIAL COURT ERRED IN CONCLUDING THAT PLAINTIFF-APPELLEE HAS SUFFICIENTLY PROVED ITS CAUSE OF ACTION AGAINST THE DEFENDANTS.

III

THE TRIAL COURT ERRED IN ORDERING DEFENDANTS TO PAY 20% OF THE AMOUNT DUE TO PLAINTIFF AS ATTORNEY'S FEES.[12]

The appellants asserted that while the trial court's observations were true, it was the usual business practice in previous transactions between them and SMC. The SMC previously honored receipts not bearing the salesman's name. According to appellant Francisco Culaba, he even lost some of the receipts, but did not encounter any problems.

According to appellant Francisco, he could not be faulted for paying the SMC collector who came in a van and was in uniform, and that any regular customer would, without any apprehension, transact with such an SMC employee. Furthermore, the respective receipts issued to him at the time he paid on the four occasions mentioned had not yet then been declared lost. Thus, the subsequent publication in a daily newspaper declaring the booklets lost did not affect the validity and legality of the payments made. Accordingly, by its actuations, the SMC was estopped from questioning the legality of the payments and had no cause of action against the appellants.

Anent the issue of attorney's fees, the order of the trial court for payment thereof is without basis. According to the appellant, the provision for attorney's fees is a contingent fee, already provided for in the SMC's contract with the law firm. To further order them to pay 20% of the amount due as attorney's fees is double payment, tantamount to undue enrichment and therefore improper.[13]

The appellee, for its part, contended that the primary issue in the case at bar revolved around the basic and fundamental principles of agency.[14] It was incumbent upon the defendants-appellants to exercise ordinary prudence and reasonable diligence to verify and identify the extent of the alleged agent's authority. It was their burden to establish the true identity of the assumed agent, and this could not be established by mere representation, rumor or general reputation. As they utterly failed in this regard, the appellants must suffer the consequences.

The Court of Appeals affirmed the decision of the trial court, thus:

In the face of the somewhat tenuous evidence presented by the appellants, we cannot fault the lower court for giving more weight to appellee's testimonial and documentary evidence, all of which establish with some degree of preponderance the existence of the account sued upon.

ALL CONSIDERED, we cannot find any justification to reject the factual findings of the lower court to which we must accord respect, for which reason, the judgment appealed from is hereby AFFIRMED in all respects.

SO ORDERED.[15]

Hence, the instant petition.

The petitioners pose the following issues for the Court's resolution:

I. WHETHER OR NOT THE RESPONDENT HAD PROVEN BY PREPONDERANT EVIDENCE THAT IT HAD PROPERLY AND TIMELY NOTIFIED PETITIONER OF LOST BOOKLET OF RECEIPTS

II. WHETHER OR NOT RESPONDENT HAD PROVEN BY PREPONDERANT EVIDENCE THAT PETITIONER WAS REMISS IN THE PAYMENT OF HIS ACCOUNTS TO ITS AGENT.[16]

According to the petitioners, receiving receipts from the private respondent's agents instead of its salesmen was a usual occurrence, as they had been operating the store since 1979. Thus, on four occasions in April 1983, when an agent of the respondent came to the store wearing an SMC uniform and driving an SMC van, petitioner Francisco Culaba, without question, paid his accounts. He received the receipts without fear, as they were similar to what he used to receive before. Furthermore, the petitioners assert that, common experience will attest that unless the attention of the customers is called for, they would not take note of the serial number of the receipts.

The petitioners contend that the private respondent advertised its warning to the public only after the damage was done, or on July 9, 1993. Its belated notice showed its glaring lack of interest or concern for its customers' welfare, and, in sum, its negligence.

Anent the second issue, petitioner Francisco Culaba avers that the agent to whom the accounts were paid had all the physical and material attributes or indications of a representative of the private respondent, leaving no doubt that he was duly authorized by the latter. Petitioner Francisco Culaba's testimony that "he does not necessarily check the contents of the receipts issued to him except for the amount indicated if [the] same accurately reflects his actual payment" is a common attitude of customers. He could, thus, not be faulted for paying the private respondent's agent on four occasions. Petitioner Francisco Culaba asserts that he made the payment in good faith, to an agent who issued SMC receipts which appeared to be genuine. Thus, according to the petitioners, they had duly paid their obligation in accordance with Articles 1240 and 1242 of the New Civil Code.

The private respondent, for its part, avers that the burden of proving payment is with the debtor, in consonance with the express provision of Article 1233 of the New Civil Code. The petitioners miserably failed to prove the self-serving allegation that they already paid their liability to the private respondent. Furthermore, under normal circumstances, an obligor would not just pay a substantial amount to someone whom he saw for the first time, without even asking for the latter's name.

The Ruling of the Court

The petition is dismissed.

The petitioners question the findings of the Court of Appeals as to whether the payment of the petitioners' obligation to the private respondent was properly made, thus, extinguishing the same. This is clearly a factual issue, and beyond the purview of the Court to delve into. This is in consonance with the well-settled rule that findings of fact of the trial court, especially when affirmed by the Court of Appeals, are accorded the highest degree of respect, and generally will not be disturbed on appeal. Such findings are binding and conclusive on the Court.[17] Furthermore, it is not the Court's function under Rule 45 of the Rules of Court, as amended, to review, examine and evaluate or weigh the probative value of the evidence presented.[18]

To reiterate, the issue being raised by the petitioners does not involve a question of law, but a question of fact, not cognizable by this Court in a petition for review under Rule 45. The jurisdiction of the Court in such a case is limited to reviewing only errors of law, unless the factual findings being assailed are not supported by evidence on record or the impugned judgment is based on a misapprehension of facts.[19]

A careful study of the records of the case reveal that the appellate court affirmed the trial court's factual findings as follows:

First. Receipts Nos. 27331, 27318, 27339 and 27346 were included in the private respondent's lost booklet, which loss was duly advertised in a newspaper of general circulation; thus, the private respondent could not have officially issued them to the petitioners to cover the alleged payments on the dates appearing thereon.

Second. There was something amiss in the way the receipts were issued to the petitioners, as one receipt bearing a higher serial number was issued ahead of another receipt bearing a lower serial number, supposedly covering a later payment. The petitioners failed to explain the apparent mix-up in these receipts, and no attempt was made in this regard.

Third. The fact that the salesman's name was invariably left blank in the four receipts and that the petitioners could not even remember the name of the supposed impostor who received the said payments strongly argue against the veracity of the petitioners' claim.

We find no cogent reason to reverse the said findings.

The dismissal of the petition is inevitable even upon close perusal of the merits of the case.

Payment is a mode of extinguishing an obligation.[20] Article 1240 of the Civil Code provides that payment shall be made to the person in whose favor the obligation has been constituted, or his successor-in-interest, or any person authorized to receive it.[21] In this case, the payments were purportedly made to a "supervisor" of the private respondent, who was clad in an SMC uniform and drove an SMC van. He appeared to be authorized to accept payments as he showed a list of customers' accountabilities and even issued SMC liquidation receipts which looked genuine. Unfortunately for petitioner Francisco Culaba, he did not ascertain the identity and authority of the said supervisor, nor did he ask to be shown any identification to prove that the latter was, indeed, an SMC supervisor. The petitioners relied solely on the man's representation that he was collecting payments for SMC. Thus, the payments the petitioners claimed they made were not the payments that discharged their obligation to the private respondent.

The basis of agency is representation.[22] A person dealing with an agent is put upon inquiry and must discover upon his peril the authority of the agent.[23] In the instant case, the petitioners' loss could have been avoided if they had simply exercised due diligence in ascertaining the identity of the person to whom they allegedly made the payments. The fact that they were parting with valuable consideration should have made them more circumspect in handling their business transactions. Persons dealing with an assumed agent are bound at their peril to ascertain not only the fact of agency but also the nature and extent of authority, and in case either is controverted, the burden of proof is upon them to establish it.[24] The petitioners in this case failed to discharge this burden, considering that the private respondent vehemently denied that the payments were accepted by it and were made to its authorized representative.

Negligence is the omission to do something which a reasonable man, guided by those considerations which ordinarily regulate the conduct of human affairs, would do, or the doing of something, which a prudent and reasonable man would not do.[25] In the case at bar, the most prudent thing the petitioners should have done was to ascertain the identity and authority of the person who collected their payments. Failing this, the petitioners cannot claim that they acted in good faith when they made such payments. Their claim therefor is negated by their negligence, and they are bound by its consequences. Being negligent in this regard, the petitioners cannot seek relief on the basis of a supposed agency.[26]

WHEREFORE, the instant petition is hereby DENIED. The assailed Decision dated April 16, 1996, and the Resolution dated July 19, 1996 of the Court of Appeals are AFFIRMED. Costs against the petitioners.

SO ORDERED.

Puno, (Chairman), Quisumbing, Austria-Martinez, and Tinga, JJ., concur.

- [1] Penned by Associate Justice Godardo A. Jacinto, with Associate Justices Salome A. Montoya and Romeo A. Brawner concurring.
- [2] Penned by Judge Fernando P. Agdamag.
- [3] Dated July 19, 1996.
- [4] Exhibit “A”, Records, Vol. I, p. 61.
- [5] Exhibit “1”, Id. at 107.
- [6] Exhibit “2”, Id. at 108.
- [7] Exhibit “3”, Id. at 109.
- [8] Exhibit “4”, Id. at 110.
- [9] Exhibit “F”, Id. at 66.
- [10] Ibid.
- [11] Records, Vol. II, p. 596.
- [12] CA Rollo, p. 26-B.
- [13] Brief for the Defendants-Appellants, CA Rollo, p. 26-P.
- [14] Brief for Plaintiff-Appellee, Id. at 33.
- [15] CA Rollo, p. 49.
- [16] Rollo, p. 15.
- [17] Cresenciano Duremdes v. Agustin Duremdes, G.R. No. 138256, November 12, 2003.
- [18] Asiatruster Development Bank v. Concepts Trading Corporation, G.R. No. 130759, June 20, 2003.
- [19] Cosmos Bottling Corporation v. National Labor Relations Commission, et. al., G.R. No. 146397, July 1, 2003.
- [20] Article 1231(1) of the Civil Code provides that obligations are extinguished by payment or performance.
- [21] Montecillo v. Reynes, 385 SCRA 244 (2002).
- [22] Victorias Milling Co., Inc. v. Court of Appeals, 333 SCRA 663 (2000).
- [23] Dizon v. Court of Appeals, 302 SCRA 288 (1999).
- [24] Yu Eng Cho v. Pan American World Airways, Inc., 328 SCRA 717 (2000).
- [25] Raynera v. Hiceta, 306 SCRA 102 (1999).
- [26] Dizon v. Court of Appeals, *supra*.

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