

ALVIN TAN, PETITIONER, VS. COURT OF APPEALS AND ARTHUR DY GUANI, RESPONDENTS.

G.R. No. 127210. August 07, 2003

Ponente: CARPIO MORALES, J.

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CARPIO MORALES, J.:

The present petition for review on certiorari under Rule 45 of the Revised Rules of Court assails the October 24, 1996 Decision of the Court of Appeals (CA) which upheld the August 1, 1994 Decision of the Regional Trial Court of Cebu City, Branch 20 in Civil Case No. CEB-9353, "Arthur Dy Guani v. Alvin Tan."

In the later part of 1988, private respondent Arthur Dy Guani, President and General Manager of Guani Marketing, Inc. (Guani Marketing), agreed to buy for P1,100,000.00 a Mercedes Benz being sold by petitioner Alvin Tan.

Noting from the official receipt covering the vehicle that it was registered in the name of a certain Jacky Del Mundo,[1] private respondent asked for the whereabouts of Del Mundo. Petitioner allegedly told private respondent, however, that he had the authority to sell the vehicle. Private respondent then inquired whether the vehicle was imported or not, to which petitioner replied that it was, he exhibiting to private respondent a photocopy of the certificate of payment[2] and official receipt issued by the Bureau of Customs[3] showing payment of customs duties. By private respondent's account, he asked petitioner for the original of these documents, and petitioner replied that the same had been submitted to the Land Transportation Office, but he assured private respondent that the photocopy of the certificate of payment and of the official receipt were faithful reproductions of the original.

Also by private respondent's claim, sometime in December 1988, petitioner went to the office of Guani Marketing and proposed to private respondent that instead of paying for the vehicle in one lump sum, it would be more advantageous to enter into a lease-financing agreement with Cebu International Finance Corporation (CIFIC), of which petitioner was Assistant Manager, which would finance the purchase price of the vehicle and private respondent, as lessee, would pay the amount financed in installments.

On December 8, 1988, the Board of Directors of Guani Marketing authorized private respondent to 1) purchase a Mercedes Benz through a lease-financing agreement with CIFIC, 2) negotiate with CIFIC for the purchase of the vehicle through lease-financing, and 3) sign all documents necessary to facilitate the purchase.[4]

On December 12, 1988, CIFIC as lessor and Guani Marketing as lessee entered into an Equipment Lease Agreement (the Agreement).[5] Under the terms of the Agreement, the lessee was obligated to pay a downpayment/guaranty deposit of P200,000.00, which would be refunded upon the termination of the lease, and a monthly rental fee of P48,685.00 for twenty-four (24) months or a total of P1,368,440.00.

On December 15, 1988, petitioner turned over the vehicle to private respondent after a downpayment/guaranty deposit was made.

Petitioner later delivered to private respondent a Deed of Sale dated December 28, 1988 bearing the signature of Jacky del Mundo in his (private respondent's) favor[6] and another deed also dated December 28, 1988 wherein private respondent was selling the vehicle to CIFIC.[7] The vehicle was later registered in the name of CIFIC.[8]

On March 2, 1990, the Bureau of Customs issued a warrant of seizure and detention[9] over the vehicle on account of which it was impounded by the Constabulary Highway Patrol of Cebu City,[10] it having allegedly been imported without payment of the requisite customs duties and taxes in violation of the Tariff and Customs Code. The seizure of the vehicle was published in the March 9, 1990 issue of the Newstime Daily[11] which private respondent claims caused him great embarrassment.[12]

The Bureau of Customs subsequently filed a case against private respondent as the possessor of the vehicle.[13] And CIFIC also filed a complaint against Guani Marketing before the RTC of Cebu for sum of money.[14]

From December 1988 up to March 1990, Guani Marketing had paid CIFIC the total amount of P978,960.00 to CIFIC as rental fees.[15]

Private respondent thus filed a complaint,[16] now the subject of the present petition, for "damages and attorney's fees," before the Regional Trial Court of Cebu City, alleging that, inter alia, as a result of petitioner's fraudulent acts, he suffered damages and accordingly prayed as follows:

WHEREFORE, it is most respectfully prayed to this Honorable Court that after due notice and hearing judgment be rendered against defendant, to wit:

- Sentencing the defendant to pay plaintiff the amount he paid to the Cebu International Finance Corporation by way of reimbursement in the sum of P978,960.00;
- Sentencing defendant to pay plaintiff the sum of P8,000,000.00 representing moral damages in violation of Article[s] 19, 20 and 21 of the New Civil code;
- Sentencing defendant to pay plaintiff Exemplary Damages of P2,000,000.00;
- Sentencing defendant to pay litigation expenses in the sum of P100,000.00;
- Sentencing defendant to reimburse plaintiff the sum of P150,000.00 representing attorney's fee[s] advanced by the plaintiff; and
- Further prays for other relief[s] just and equitable under given premises.[17]

In his Answer, petitioner denied, among other things, having represented that he was authorized to sell the vehicle, he claiming that he had told private respondent that he was just "authorized to act as the go-between in the negotiations" for the sale.[18] And he imputed negligence to private respondent in not having examined the original of the certificate of payment and official receipt issued by the Bureau of Customs.[19]

Before petitioner rested his case before the trial court, he submitted his formal offer of evidence stating, among other things, that the Equipment Lease Agreement marked as Exhibit "1" was being offered to show that private respondent did not have the legal personality to file the complaint, he being merely the agent of Guani Marketing which was the lessee of the vehicle.[20] To the offer of Exhibit "1" private respondent objected to its purpose, he asserting that the case is "a personal action" against petitioner.[21]

After trial on the merits, the trial court rendered judgment in favor of the plaintiff-herein private respondent, holding as follows:

In view of the undue publication that plaintiff underwent in a local newspaper of general circulation, that latter was embarrassed, insulted, became anxious, suffered anxiety - all of these sufferings could be attributed to the

complained acts of defendant who is obliged to be honest and circumspect in his business dealings much more in this case with plaintiff. The brunt of evidence pointed to the deliberate failure to give plaintiff the original copies of said documents so that plaintiff will be spared from any difficulty or problem relative to the use, possession and enjoyment of the car in question. The pertinent provisions of the New Civil Code of the Philippines governing "human relations" provide, to wit:

x x x

WHEREFORE, in view of all the foregoing premises, judgment is hereby rendered in favor of plaintiff as against defendant. The latter (defendant) is hereby ordered to pay plaintiff the sum of P50,000.00 as moral damages, the sum of P10,000.00 as attorney's fees and the sum of P5,000.00 as costs of suit.[22]

Upon recourse to the Court of Appeals by both the defendant-herein petitioner and the plaintiff-herein private respondent, the Court of Appeals, by Decision of October 24, 1996,[23] affirmed the trial court's decision.

Hence, the present petition of the defendant-herein petitioner filed on November 18, 1996.

On December 12, 1996, private respondent, alleging that he received a copy of the Court of Appeals' October 24, 1996 Decision only on November 27, 1996,[24] filed a Motion for Reconsideration thereof.[25] By Resolution of August 4, 1997,[26] the Court of Appeals deferred the resolution of private respondent's motion for reconsideration in deference to this Court before which the present petition had already been filed.

The present petition is anchored on the following grounds: [27]

- THE RESPONDENT COURT ERRED IN FINDING THAT PETITIONER WAS GUILTY OF FRAUD IN MISREPRESENTING THAT THE TAXES, DUTIES AND OTHER FEES FOR THE IMPORTATION OF THE MERCEDES BENZ CAR WERE ALREADY PAID AFTER FINDING THAT PRIVATE RESPONDENT BOUGHT THE CAR, TOOK POSSESSION OF IT AND USED IT FOR ONE YEAR WITHOUT ASCERTAINING THE AUTHENTICITY OF ITS CERTIFICATE OF REGISTRATION, OFFICIAL RECEIPT AND WITHOUT SEEING THE ORIGINAL DOCUMENTS REGARDING ITS IMPORTATION.

- THE RESPONDENT COURT ERRED IN NOT HOLDING THAT PRIVATE RESPONDENT HAD NO LEGAL PERSONALITY TO FILE THIS ACTION.

(Emphasis supplied)

The second assignment of error by which petitioner, as gathered from his brief, actually assails private respondent's not being the real party in interest, shall first be resolved.

It bears noting at the outset that the trial court failed, as did the appellate court, to address the issue raised by petitioner regarding private respondent not being the real party in interest.

Both Section 2, Rule 3 of the 1964 Rules of Court, the law applicable at the time, and Section 2, Rule 3 of the 1997 Rules of Civil Procedure require that every action must be prosecuted and defended in the name of the real party in interest. A real party in interest is the party who stands to be benefited or injured by the judgment in the suit, or the party entitled to the avails of the suit.[28] "Interest" within the meaning of the rule means material interest, an interest in issue and to be affected by the decree, as distinguished from mere interest in the question involved, or a mere incidental interest.[29] This means that the action must be brought by the person who, by substantive law, possesses the right sought to be enforced.[30]

It is fundamental that there cannot be a cause of action without an antecedent primary legal right conferred by law upon a person. Evidently, there can be no wrong without a corresponding right, and no breach of duty by one person without a corresponding right belonging to some other person. Thus, the essential elements of a

cause of action are legal right of the plaintiff, correlative obligation of the defendant, an act or omission of the defendant in violation of the aforesaid legal right. (Sulo ng Bayan, Inc. v. Araneta, Inc.; citations omitted; emphasis and underscoring supplied)[31]

From the facts of the case, private respondent merely acted as agent of Guani Marketing, lessee of the vehicle. He is thus not the real party in interest-plaintiff to prosecute the case. It is the corporation, which is a juridical person with a personality separate and distinct from its individual stockholders and from that of its officers who manage and run its affairs,[32] that is the real party in interest.

While private respondent concedes that the possession of the vehicle was for and in behalf of Guani Marketing, he argues that the corporate veil should be pierced since the corporate personality of Guani Marketing "is used to shield an unlawful and illegal purpose at the instance of . . . petitioner." [33] Private respondent's argument does not lie.

The doctrine of piercing the veil of corporate fiction is resorted to as a measure of protection against, and not to open the door to, deception. In the case at bar, it is petitioner (a natural person), as the defendant, who is being charged of deception. It is he who is being made to answer for damages arising from fraud. The doctrine thus finds no application to the plaintiff-herein private respondent, President and General Manager of Guani Marketing, who is enforcing, not avoiding or escaping, liability on the basis of fraud.

In fine, private respondent not being the real party in interest to file the complaint, he has no cause of action.[34] Resolution of the first assigned error bearing on fraud on petitioner's part is thus rendered unnecessary.

WHEREFORE, the instant petition for review on certiorari is GRANTED. The October 24, 1996 Decision of the Court of Appeals affirming that of Branch 20 of the Cebu City Regional Trial Court is REVERSED and SET ASIDE, and the complaint in Civil Case No. CEB-9353 is hereby DISMISSED.

SO ORDERED.

Puno, (Chairman), Panganiban, Sandoval-Gutierrez, and Corona, JJ., concur.

[1] Exhibit "YY," Records at 205.

[2] Exhibit "U," id. at 150.

[3] Exhibit "V," id. at 151.

[4] Exhibit "3," id. at 280.

[5] Exhibit "Y," id. at 158; Exhibit "1," id. at 274-278.

[6] Exhibit "ZZ," id. at 27.

[7] Exhibit "AAA," id. at 28.

[8] Exhibit "BBB," id. at 206; Exhibit "CCC," id. at 207.

[9] Exhibit "EEE," id. at 209.

[10] Exhibit "DDD," id. at 208.

[11] Exhibit "W," id. at 152.

[12] Id. at 10-11.

[13] Exhibit "EEE-1," id. at 210.

[14] Exhibit "X," id. at 153-157.

[15] Exhibits "D" to "T," id. at 133-149.

[16] Id. at 1-13.

[17] Id. at 11-12.

[18] Id. at 52-53.

[19] Id. at 53.

[20] Id. at 271-273; Exhibit "1" and Exhibit "3," id. at 274-278, 280.

[21] Id. at 285.

[22] Id. at 344, 346.

[23] CA Rollo at 85-96.

[24] Id. at 97.

[25] Id. at 97-105.

[26] Id. at 111.

[27] Rollo at 8-9.

[28] *Salonga v. Warner Barnes Co., Ltd.*, 88 Phil. 125, 131 (1951); *Travel Wide Associated Sales (Phils.), Inc. v. Court of Appeals*, 199 SCRA 205, 209 (1991); *Rules Of Court*, Rule 3, sec. 2.

[29] *University of the Philippines Board of Regents v. Hon. Ligot-Telan*, 227 SCRA 342, 355 (1993); *Ralla v. Ralla*, 199 SCRA 495, 499 (1991); *Rebolledo v. Court of Appeals*, 170 SCRA 800, 806 (1989).

[30] *Philippine Trust Company v. Court of Appeals*, 320 SCRA 719, 728 (1999); *Adorable v. Court of Appeals*, 319 SCRA 200, 205 (1999); *Uy v. Court of Appeals*, 314 SCRA 69, 77 (1999).

[31] 72 SCRA 347, 356 (1976).

[32] *Complex Electronics Employees Association v. NLRC*, 310 SCRA 403, 418 (1999); *Roxas Co., Inc. v. Court of Appeals*, 321 SCRA 106, 143 (1999); *Malayang Samahan ng mga Manggagawa sa M. Greenfield v. Hon. Ramos*, 326 SCRA 428, 471 (2000); *Malayang Samahan ng mga Manggagawa sa M. Greenfield v. Hon. Ramos*, 357 SCRA 77, 92-93 (2001).

[33] Rollo at 111-112.

[34] *Casimiro v. Roque*, 93 Phil. 880 (1956).

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