

**MARIA TUAZON, ALEJANDRO P. TUAZON, MELECIO P. TUAZON,
SPOUSES ANASTACIO AND MARY T. BUENAVENTURA, PETITIONERS,
VS. HEIRS OF BARTOLOME RAMOS, RESPONDENTS.**

G.R. No. 156262. July 14, 2005

Ponente: PANGANIBAN, J.

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PANGANIBAN, J.:

Stripped of nonessentials, the present case involves the collection of a sum of money. Specifically, this case arose from the failure of petitioners to pay respondents' predecessor-in-interest. This fact was shown by the non-encashment of checks issued by a third person, but indorsed by herein Petitioner Maria Tuazon in favor of the said predecessor. Under these circumstances, to enable respondents to collect on the indebtedness, the check drawer need not be impleaded in the Complaint. Thus, the suit is directed, not against the drawer, but against the debtor who indorsed the checks in payment of the obligation.

The Case

Before us is a Petition for Review[1] under Rule 45 of the Rules of Court, challenging the July 31, 2002 Decision[2] of the Court of Appeals (CA) in CA-GR CV No. 46535. The decretal portion of the assailed Decision reads:

"WHEREFORE, the appeal is DISMISSED and the appealed decision is AFFIRMED."

On the other hand, the affirmed Decision[3] of Branch 34 of the Regional Trial Court (RTC) of Gapan, Nueva Ecija, disposed as follows:

"WHEREFORE, judgment is hereby rendered in favor of the plaintiffs and against the defendants, ordering the defendants spouses Leonilo Tuazon and Maria Tuazon to pay the plaintiffs, as follows:

"1. The sum of P1,750,050.00, with interests from the filing of the second amended complaint;

"2. The sum of P50,000.00, as attorney's fees;

"3. The sum of P20,000.00, as moral damages

"4. And to pay the costs of suit.

x x x x x x x x"[4]

The Facts

The facts are narrated by the CA as follows:

"[Respondents] alleged that between the period of May 2, 1988 and June 5, 1988, spouses Leonilo and Maria Tuazon purchased a total of 8,326 cavans of rice from [the deceased Bartolome] Ramos [predecessor-in-interest of respondents]. That of this [quantity,] x x x only 4,437 cavans [have been paid for so far], leaving unpaid 3,889 cavans valued at P1,211,919.00. In payment therefor, the spouses Tuazon issued x x x [several] Traders Royal Bank checks.

x x x x x x x x

[B]ut when these [checks] were encashed, all of the checks bounced due to insufficiency of funds. [Respondents] advanced that before issuing said checks[,] spouses Tuazon already knew that they had no available fund to support the checks, and they failed to provide for the payment of these despite repeated demands made on them.

"[Respondents] averred that because spouses Tuazon anticipated that they would be sued, they conspired with the other [defendants] to defraud them as creditors by executing x x x fictitious sales of their properties. They executed x x x simulated sale[s] [of three lots] in favor of the x x x spouses Buenaventura x x x[,] as well as their residential lot and the house thereon[,] all located at Nueva Ecija, and another simulated deed of sale dated July 12, 1988 of a Stake Toyota registered with the Land Transportation Office of Cabanatuan City on September 7, 1988. [Co-petitioner] Melecio Tuazon, a son of spouses Tuazon, registered a fictitious Deed of Sale on July 19, 1988 x x x over a residential lot located at Nueva Ecija. Another simulated sale of a Toyota Willys was executed on January 25, 1988 in favor of their other son, [co-petitioner] Alejandro Tuazon x x x. As a result of the said sales, the titles of these properties issued in the names of spouses Tuazon were cancelled and new ones were issued in favor of the [co-]defendants spouses Buenaventura, Alejandro Tuazon and Melecio Tuazon. Resultantly, by the said ante-dated and simulated sales and the corresponding transfers there was no more property left registered in the names of spouses Tuazon answerable to creditors, to the damage and prejudice of [respondents].

"For their part, defendants denied having purchased x x x rice from [Bartolome] Ramos. They alleged that it was Magdalena Ramos, wife of said deceased, who owned and traded the merchandise and Maria Tuazon was merely her agent. They argued that it was Evangeline Santos who was the buyer of the rice and issued the checks to Maria Tuazon as payments therefor. In good faith[,] the checks were received [by petitioner] from Evangeline Santos and turned over to Ramos without knowing that these were not funded. And it is for this reason that [petitioners] have been insisting on the inclusion of Evangeline Santos as an indispensable party, and her non-inclusion was a fatal error. Refuting that the sale of several properties were fictitious or simulated, spouses Tuazon contended that these were sold because they were then meeting financial difficulties but the disposals were made for value and in good faith and done before the filing of the instant suit. To dispute the contention of plaintiffs that they were the buyers of the rice, they argued that there was no sales invoice, official receipts or like evidence to prove this. They assert that they were merely agents and should not be held answerable."[5]

The corresponding civil and criminal cases were filed by respondents against Spouses Tuazon. Those cases were later consolidated and amended to include Spouses Anastacio and Mary Buenaventura, with Alejandro Tuazon and Melecio Tuazon as additional defendants. Having passed away before the pretrial, Bartolome Ramos was substituted by his heirs, herein respondents.

Contending that Evangeline Santos was an indispensable party in the case, petitioners moved to file a third-party complaint against her. Allegedly, she was primarily liable to respondents, because she was the one who had purchased the merchandise from their predecessor, as evidenced by the fact that the checks had been drawn in her name. The RTC, however, denied petitioners' Motion.

Since the trial court acquitted petitioners in all three of the consolidated criminal cases, they appealed only its decision finding them civilly liable to respondents.

Ruling of the Court of Appeals

Sustaining the RTC, the CA held that petitioners had failed to prove the existence of an agency between respondents and Spouses Tuazon. The appellate court disbelieved petitioners' contention that Evangeline Santos should have been impleaded as an indispensable party. Inasmuch as all the checks had been indorsed by Maria

Tuazon, who thereby became liable to subsequent holders for the amounts stated in those checks, there was no need to implead Santos.

Hence, this Petition.[6]

Issues

Petitioners raise the following issues for our consideration:

"1. Whether or not the Honorable Court of Appeals erred in ruling that petitioners are not agents of the respondents.

"2. Whether or not the Honorable Court of Appeals erred in rendering judgment against the petitioners despite x x x the failure of the respondents to include in their action Evangeline Santos, an indispensable party to the suit."[7]

The Court's Ruling

The Petition is unmeritorious.

First Issue: Agency

Well-entrenched is the rule that the Supreme Court's role in a petition under Rule 45 is limited to reviewing errors of law allegedly committed by the Court of Appeals. Factual findings of the trial court, especially when affirmed by the CA, are conclusive on the parties and this Court.[8] Petitioners have not given us sufficient reasons to deviate from this rule.

In a contract of agency, one binds oneself to render some service or to do something in representation or on behalf of another, with the latter's consent or authority.[9] The following are the elements of agency: (1) the parties' consent, express or implied, to establish the relationship; (2) the object, which is the execution of a juridical act in relation to a third person; (3) the representation, by which the one who acts as an agent does so, not for oneself, but as a representative; (4) the limitation that the agent acts within the scope of his or her authority.[10] As the basis of agency is representation, there must be, on the part of the principal, an actual intention to appoint, an intention naturally inferable from the principal's words or actions. In the same manner, there must be an intention on the part of the agent to accept the appointment and act upon it. Absent such mutual intent, there is generally no agency.[11]

This Court finds no reversible error in the findings of the courts a quo that petitioners were the rice buyers themselves; they were not mere agents of respondents in their rice dealership. The question of whether a contract is one of sale or of agency depends on the intention of the parties.[12]

The declarations of agents alone are generally insufficient to establish the fact or extent of their authority.[13] The law makes no presumption of agency; proving its existence, nature and extent is incumbent upon the person alleging it.[14] In the present case, petitioners raise the fact of agency as an affirmative defense, yet fail to prove its existence.

The Court notes that petitioners, on their own behalf, sued Evangeline Santos for collection of the amounts represented by the bounced checks, in a separate civil case that they sought to be consolidated with the current one. If, as they claim, they were mere agents of respondents, petitioners should have brought the suit against Santos for and on behalf of their alleged principal, in accordance with Section 2 of Rule 3 of the Rules on Civil Procedure.[15] Their filing a suit against her in their own names negates their claim that they acted as mere agents in selling the rice obtained from Bartolome Ramos.

Second Issue: Indispensable Party

Petitioners argue that the lower courts erred in not allowing Evangeline Santos to be impleaded as an indispensable party. They insist that respondents' Complaint against them is based on the bouncing checks she issued; hence, they point to her as the person primarily liable for the obligation.

We hold that respondents' cause of action is clearly founded on petitioners' failure to pay the purchase price of the rice. The trial court held that Petitioner Maria Tuazon had indorsed the questioned checks in favor of respondents, in accordance with Sections 31 and 63 of the Negotiable Instruments Law.[16] That Santos was the drawer of the checks is thus immaterial to the respondents' cause of action.

As indorser, Petitioner Maria Tuazon warranted that upon due presentment, the checks were to be accepted or paid, or both, according to their tenor; and that in case they were dishonored, she would pay the corresponding amount.[17] After an instrument is dishonored by nonpayment, indorsers cease to be merely secondarily liable; they become principal debtors whose liability becomes identical to that of the original obligor. The holder of a negotiable instrument need not even proceed against the maker before suing the indorser.[18] Clearly, Evangeline Santos -- as the drawer of the checks -- is not an indispensable party in an action against Maria Tuazon, the indorser of the checks.

Indispensable parties are defined as "parties in interest without whom no final determination can be had." [19] The instant case was originally one for the collection of the purchase price of the rice bought by Maria Tuazon from respondents' predecessor. In this case, it is clear that there is no privity of contract between respondents and Santos. Hence, a final determination of the rights and interest of the parties may be made without any need to implead her.

WHEREFORE, the Petition is DENIED and the assailed Decision AFFIRMED. Costs against petitioners.

SO ORDERED.

Sandoval-Gutierrez, Corona, Carpio-Morales, and Garcia, JJ., concur.

[1] Rollo, pp. 8-21.

[2] *Id.*, pp. 24-33. Seventeenth Division. Penned by Justice Roberto A. Barrios (Division chairman) and concurred in by Justices Bienvenido L. Reyes and Edgardo F. Sundiam (members).

[3] *Id.*, pp. 153-175.

[4] *Id.*, p. 174. Citations omitted.

[5] Assailed Decision, pp. 5-7; rollo, pp. 28-30.

[6] The case was deemed submitted for decision on September 8, 2003, upon receipt by this Court of petitioners' Memorandum, signed by Atty. Leoncio P. Ferrer. Respondents' Memorandum, signed by Atty. Irineo G. Calderon, was received by the Court on September 5, 2003.

[7] Petitioner's Memorandum, pp. 9-10. Original in uppercase.

[8] *Ceballos v. Intestate Estate of the Late Emigdio Mercado*, 430 SCRA 323, 331, May 28, 2004 (citing *Borromeo v. Sun*, 375 Phil. 595, October 22, 1999; *Go Ong v. CA*, 154 SCRA 270, September 24, 1987.).

[9] Article 1868 of the New Civil Code.

[10] Manila Memorial Park Cemetery, Inc. v. Linsangan, GR No. 151319, November 22, 2004; Spouses Yu Eng Cho v. Pan American World Airways Inc., 385 Phil. 453, 465, March 27, 2000 (citing Tolentino, Civil Code of the Philippines, p. 396, Vol. V, 1992 ed.).

[11] Dominion Insurance Corporation v. CA, 426 Phil. 620, 626, February 6, 2002; Victorias Milling Co., Inc. v. CA, 389 Phil. 184, 196, June 19, 2000.

[12] Victorias Milling Co., Inc. v. CA, supra, p. 197.

[13] Litonjua v. Fernandez, 427 SCRA 478, 493, April 14, 2004.

[14] Victorias Milling Co., Inc. v. CA, supra, p. 196; Lim v. CA, 321 Phil. 782, 794, December 19, 1995 (citing People v. Yabut, 76 SCRA 624, April 29, 1977).

[15] "SEC. 2. Parties 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. Unless otherwise authorized by law or these Rules, every action must be prosecuted or defended in the name of the real party in interest."

[16] "SEC. 31. Indorsement; how made. - The indorsement must be written on the instrument itself or upon a paper attached thereto. The signature of the indorser, without additional words, is a sufficient indorsement."

SEC. 63. When a person deemed indorser. - A person placing his signature upon an instrument otherwise than as maker, drawer, or acceptor, is deemed to be indorser unless he clearly indicates by appropriate words his intention to be bound in some other capacity."

[17] §66, id.

[18] Metropol (Bacolod) Financing & Investment Corp. v. Sambok Motors Company, 205 Phil. 758, 762, February 28, 1983.

[19] §7, Rule 3 of the Rules of Court.

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