

**SPOUSES FERDINAND AGUILAR AND JOSEPHINE C. AGUILAR,
PETITIONERS, VS. CITYTRUST FINANCE CORPORATION,
RESPONDENT.**

G.R. NO. 159592. October 25, 2005

Ponente: CARPIO MORALES, J.

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CARPIO MORALES, J.:

Sometime in May 1992, Josephine Aguilar (Josephine) canvassed, via telephone, prices of cars from different car dealers listed in the yellow pages of the Philippine Long Distance Telephone directory.

On May 23, 1992, World Cars, Inc. (World Cars) sent its representative Joselito Perez (Perez) and Vangie Tayag (Vangie) to the Aguilar residence in New Manila, Quezon City bringing with them calling cards, brochures and price list for different car models, among other things. The two representatives discussed with Josephine the advantages and disadvantages of the different models, their prices and terms of payment.[1]

Josephine having decided to purchase a white 1992 Nissan California at the agreed price of P370,000.00, payable in 90 days, Perez and Vangie repaired to the Aguilar residence on May 30, 1992, bringing with them a white 1992 Nissan California bearing Motor No. GA16-099086 and Chassis No. WGLB12-D10269, and the documents bearing on the sale.

As Josephine and her husband Ferdinand Aguilar (the Aguilars) were being made to sign by the two representatives a promissory note, chattel mortgage, disclosures and other documents the dates of which were left blank and which showed that they would still be obliged to pay on installment in 12 months for the car even if checks in full payment thereof in 90 days were to be issued, the two replied that it was only for formality, for in case the checks were not cleared, the documents would take effect, otherwise they would be cancelled.[2]

The Aguilars did sign the promissory note[3] binding them to be jointly and severally liable to World Cars in the amount of P301,992.00, payable in 12 months, with a monthly amortization of P25,166.00 and a late payment charge of 5% per month on each unpaid installment from due date until fully paid.

By Josephine's claim, at the time she and her husband signed the promissory note, its date, May 30, 1992, and the due date of the monthly amortization which was agreed to be every 3rd day of each month starting July 1992 were not reflected therein.[4]

The Aguilars did execute too a chattel mortgage[5] in favor of World Cars which embodied a deed of assignment[6] in favor of Citytrust Finance Corporation (Citytrust).[7] Again by Josephine's claim, the date May 30, 1992 appearing in the chattel mortgage cum deed of assignment was not yet filled up at the time she and her husband signed it.[8]

After the Aguilars' signing of the documents, Perez asked Josephine to make the check payments payable to him, prompting her to call up Perez's boss, a certain Lily Paloma, to inquire whether Perez could collect payment to which Lily replied in the affirmative, the latter advising her to just secure a receipt.[9]

Josephine thus issued four Far East Bank and Trust Company (FEBTC) checks, the details of which are indicated below:

Check No. Payable to Amount Dated

112703[10] Joselito Perez P148,000.00 May 30, 1992

112704[11] World Cars P16,000.00 May 30, 1992

112705[12] Joselito Perez P111,000.00 June 30, 1992

112706 Joselito Perez P111,000.00 July 30, 1992

For Check Nos. 112703, 112705, and 112706 which were made payable to Perez in the total amount of P370,000.00, Perez issued Josephine World Cars Provisional Receipt No. 5965.[13] Check No. 112704 which was made payable to World Cars represented payment of the premium on the car insurance, secured from Dominion Insurance which issued a policy in the name of Josephine.[14]

Josephine was subsequently issued on June 2, 1992 Official Receipt No. 61117975[15] by the Land Transportation Office covering the payment of the fees for the registration of the car.

In mid-June of 1992, Perez and Vangie went back to the Aguilar residence requesting that Check No. 112705 dated June 30, 1992 payable to Perez in the amount of P111,000.00 be cancelled and that two checks in the total amount of P111,000.00 be issued in replacement thereof, one in the amount of P4,150.00 to be made payable to Sunny Motors, which appears to be a sales outlet of World Cars, for processing fee of the documents, and the other in the amount of P106,850.00 to be again made payable to Perez. Josephine obliged and accordingly issued Check No. 112724[16] in the amount of P4,150.00 payable to Sunny Motors, and Check No. 112725[17] in the amount of P106,850.00 payable to Perez.

Check Nos. 112703,[18] 112724[19] and 112725[20] were in the meantime cleared.[21]

No official receipt for the checks having been issued to Josephine, she warned Perez that if she did not get any by the end of July 1992, she would request for stop payment of the last check she issued in his name, Check No. 112706[22] dated July 30, 1992 in the amount of P111,000.00. Perez failed to deliver any receipt to Josephine, drawing her to advise, by telefax, FEBTC Del Monte, Quezon City Branch a letter[23] dated July 30, 1992 to stop the payment of Check No. 112706.

The clearing of Check No. 112706 having been stopped on Josephine's advice, Perez repaired to the Aguilar residence, asking the reason therefor. On being informed by Josephine of the reason, Perez explained that receipts were in Bulacan where the main office of World Cars is, and he had no time to go there owing to its distance. Perez then advised Josephine that if she did not issue another check to replace Check No. 112706, the 12-month installment term of payment under the documents she and her husband signed would take effect.[24]

Not wanting to be bound by the 12-month installment term, Josephine issued Check No. 112767[25] dated August 4, 1992 in the amount of P111,000.00 payable to Perez who issued her Sunny Motor Sales Provisional Receipt No. 5028.[26]

Check No. 112767 was also later cleared.[27]

In September 1992, Josephine received a letter[28] dated August 20, 1992 from Ana Marie Caber (Ana Marie), Account Specialist of Citytrust, advising her that as of August 20, 1992, her overdue account with it in connection with the purchase of the car had amounted to "P1,045.39" inclusive of past due charges.

Josephine at once informed Ana Marie that she had fully paid the car to which Ana Marie replied that "maybe not all of the papers have been processed yet," hence, she advised Josephine not to worry about it.[29]

In December 1992, Josephine received another letter[30] dated December 9, 1992 from Citytrust advising her that her account had been, as of December 9, 1992, overdue in the amount of P110,706.60 inclusive of unpaid installments for the months of August, September, October, November and December 1992 plus accumulated penalty charges; and that if she failed to arrange for another payment scheme, her account would be referred to its legal counsel for collection.

Josephine again called Ana Marie inquiring what was going on and the latter replied that no payment for the car had been received. Josephine also called up World Cars and spoke to its Vice-President, a certain Domondon, who informed her that based on company records, the last payment had not been received.[31]

The spouses Aguilar thus filed a complaint[32] for "annulment of chattel mortgage plus damages" against Citytrust and World Cars before the Regional Trial Court (RTC) of Quezon City.

In its Answer with Counterclaims and Crossclaim against World Cars,[33] Citytrust disclaimed knowledge of the alleged prior arrangement and the alleged subsequent payments made by the Aguilars to World Cars. And it claimed that it accepted the endorsement and assignment of the promissory note and chattel mortgage in good faith, relying on the terms and conditions thereof; and that assuming that the Aguilars' claim were true, World Cars appeared to have violated the terms and conditions of the Receivables Financing Agreement (RFA) it executed with it, the pertinent portions of which read:[34]

1. [World Cars] hereby agrees and covenants to discount with [Citytrust] subject to the terms and conditions hereinafter stipulated, installment papers evidencing actual sales made by [World Cars] of brand new automobiles, trucks, household appliances and other durable goods acceptable to [Citytrust]. Wheresoever used herein, the term "installment paper" shall refer to any document or documents evidencing sale of personalty on the installment plan including "Conditional Sale Contracts, Deed of Chattel Mortgages, Trust Receipts, Contracts of Lease and other evidences of indebtedness or choses in action, signed by the customers evidencing the unpaid obligations duly negotiated and/or assigned in favor of [Citytrust] by virtue of a Deed of Assignment duly notarized;

2. Discounting of the installment papers by virtues hereof shall be on without-recourse and offer-and-acceptance basis, and that if [Citytrust] finds the same acceptable, it shall purchase and pay [World Cars] the balance due and outstanding on the respective installment papers so purchased after deducting the financing and other charges. Discounting and purchase of installment papers shall be at the sole option and discretion of [Citytrust];

x x x

5. As further warranties, [World Cars] hereby agrees and shall be bound by the following:

a. World Cars guarantees to [Citytrust] its successors, and assigns, that it has full right and legal authority to make the assignment or discounting; that the installment papers so discounted by virtue of this agreement, are subsisting, valid, enforceable and in all respects what they purport to be; that the papers contain the entire agreement between the customers and [World Cars]; that said papers are not subject to any defense, offset or counterclaim; that the personalty covered by said papers have been delivered to and accepted by the customers in full compliance with the orders and specifications of the latter; that the required downpayment has been paid in full by the customer and that the balances appearing in said documents are net and accurate and there are no contra-accounts, set-offs, or counterclaims whatsoever against said amounts; that the payment thereof is not contingent or conditioned on the fulfillment of any contract, condition or warranty, past or future, express or implied; that it has absolute and good title to such contracts and the personalties covered thereby and the right

to sell and transfer the same in favor of [Citytrust]; and that said contracts and personalities have not been previously sold, discounted, assigned or pledged to any other party nor will [World Cars] sell, assign, discount or pledge the same hereafter;

x x x

6. In the event that it shall at any time appear that an installment paper which [Citytrust] purchased from [World Cars] do not conform to the warranties under this Agreement or to the qualifications given in paragraph 5, [Citytrust] shall reassign, and [World Cars] repurchase, the installment paper(s) and the latter shall pay [Citytrust] the unpaid balance of the account less any unearned service charges within ten (10) days from [World Car's] receipt of notice of reassignment. Said notice will contain a statement of the amount payable by [World Cars] as aforesaid. No tender or presentation of the paper reassigned shall be necessary.

x x x (Emphasis and underscoring supplied)

Citytrust prayed in its Crossclaim against World Cars that "in the remote event that the complaint is not dismissed . . . [World Cars] be ordered to pay all and whatever unpaid obligation due to [it] arising from [the] promissory note . . ."[35]

In its Answer with Counterclaim,[36] World Cars claimed that, among other things, it received only the check in the amount of P148,000.00 (Check No. 112703 payable to Perez) as downpayment for the car; and that the Aguilar defaulted in the payment of their monthly amortizations to Citytrust, and it should not be held accountable for the personal and unilateral obligations of the Aguilar to Citytrust.

At the pre-trial conference, only the counsels for the Aguilar and Citytrust appeared. World Cars was thus declared as in default.

As defined in the Pre-trial Order[37] dated November 11, 1994, the issues of the case were:

- Whether or not [the Aguilar] have duly paid the purchase price of the car, and if so, whether or not [they] can still be held liable to pay under the promissory note and the chattel mortgage.
- Whether or not [Citytrust and World Cars] are liable to [the Aguilar] for damages and if so, how much.
- Whether or not [the Aguilar] have fully paid the balance installment price of the [car] which was purchased from [World Cars].
- Whether or not [the Aguilar] are entitled to the damages prayed for in the complaint.
- Whether or not [Citytrust] is entitled to the cross-claim prayed for against [World Cars].
- Whether or not [the Aguilar] are still liable for their unpaid obligations to [Citytrust].
- Whether or not [World Cars] is liable to pay the unpaid obligations of [the Aguilar] if the latter will be able to prove that they already fully paid the price of the subject car.
- Who among the parties is entitled to damages and attorney's fees, and if so, how much?

By Decision[38] dated January 12, 1999, Branch 77 of the Quezon City RTC found Perez to be an agent of World Cars, hence, an extension of its personality as far as the sale of the car to the Aguilar was concerned.

The trial court further found that Perez was authorized to receive payment for the car, hence, all payments made to him for the purchase of the car were payments made to his principal, World Cars; that the Aguilar had paid a total amount of P386,000.00 including their final payment on July 30, 2002, which date World Cars admitted to be the deadline therefor; and that the Aguilar had no intention to be bound by the promissory note which they

signed in favor of World Cars or its assignee nor by the terms of the Chattel Mortgage, the conforme in the undated Letter (Notice of Assignment) of World Cars and the Disclosure Statement of Loan/Credit Transaction having been predicated on the validity of the promissory note.

Moreover, the trial court held that the fact that on May 30, 1992, the same date of the promissory note, Josephine issued three checks to fully cover the purchase price of the car (the fourth represented payment of insurance premium), the last of which was still to mature on July 30, 1992, proves that the Aguilars signed the promissory note without intending to be bound by its terms.

In fine, the trial court held that the Aguilars had paid World Cars the full purchase price of the car, and Citytrust as the assignee of World Cars had no right to collect from them the amount stated in the Chattel Mortgage cum Deed of Assignment which is simulated and, therefore, void, following Art. 1346 of the Civil Code which provides:

Art. 1346. An absolutely simulated or fictitious contract is void. A relative simulation, when it does not prejudice a third person and is not intended for any purpose contrary to law, morals, good customs, public order or public policy binds the parties to their real agreement.

The trial court thus disposed:

WHEREFORE, premises considered, judgment is hereby rendered:

- Finding [spouses Aguilar] to have fully paid the purchase price of the 1992 Nissan California car, which they bought from Worlds Cars, Inc. on May 30, 1992, through its agent, Joselito Perez;
- Annulling the Promissory Note (Exhibit "D"), the Chattel Mortgage (Exhibit "D-1"), the conforme in the undated Letter-Notice of Assignment of defendant World Cars, Inc., (Exhibit "D-2"), and the Disclosure Statement Loan/Credit Transaction (Exhibit "D-3"), for being void as they are simulated contracts, thereby releasing [spouses Aguilar] from any liability arising from these documents;
- Ordering [Citytrust and World Cars] to pay, jointly and severally, to [spouses Aguilar] the following sums: P500,000.00 as moral damages; P100,000.00 as exemplary damages; P50,000.00 as attorney's fees and P20,000.00 as litigation expenses;
- Dismissing the counterclaims and cross-claims of World Cars, Inc. and Citytrust Finance Corporation; and
- Directing the [Citytrust and World Cars] to pay the costs of suit.

Citytrust appealed to the Court of Appeals on the following assigned errors:

I.

THE COURT A QUO COMMITTED SERIOUS ERRORS OF FACT AND OF LAW IN NOT HOLDING THAT [SPOUSES AGUILAR] ARE LIABLE TO [CITYTRUST] FOR THE PAYMENT OF THE PROMISSORY NOTE (PN) (EXH. "I") AND ARE BOUND BY THE TERMS AND CONDITIONS OF SAID PN AND CHATTEL MORTGAGE (EXH. "2").

II.

THAT ASSUMING, THAT SPOUSES AGUILAR ARE NOT LIABLE ON THE PROMISSORY NOTE, THE COURT A QUO COMMITTED SERIOUS ERRORS OF FACT AND OF LAW IN NOT HOLDING THAT WORLD CARS IS LIABLE TO CITYTRUST AS GENERAL ENDORSER OF THE PROMISSORY NOTE AND FOR VIOLATION OF ITS WARRANTY UNDER THE RECEIVABLES FINANCING AGREEMENT (RFA).

III.

THE COURT A QUO, COMMITTED SERIOUS ERRORS IN FACT AND IN LAW WHEN IT ADJUDGED CITYTRUST JOINTLY AND SEVERALLY LIABLE TO [SPOUSES AGUILAR].[39] (Emphasis supplied)

World Cars appealed too, contending that the trial court erred in:

I.

... HOLDING WORLD CARS, INC., LIABLE FOR THE PERSONAL ACTIONS OR ACTIONS BEYOND THE SCOPE OF AUTHORITY OF ITS SALES AGENT JOSELITO PEREZ.

II.

... HOLDING THAT THE SALE IS A CASH SALE AND NOT AN INSTALLMENT SALE AS EVIDENCED BY THE PROMISSORY NOTE AND CHATTEL MORTGAGE EXECUTED BY [SPOUSES AGUILAR] IN FAVOR OF [WORLD CARS] AND ASSIGNED TO [CITYTRUST].

III.

... AWARDING DAMAGES TO [SPOUSES AGUILAR].[40]

By Decision[41] of December 5, 2002, the appellate court modified that of the trial court, the dispositive portion of which reads verbatim:

WHEREFORE, premises considered, the Decision of the court a quo is hereby MODIFIED to read as follows:

1. Ordering [the Aguilars] to pay Citytrust the amount of P252,486.58 representing the unpaid balance of the promissory note.

2. Ordering [World Cars] to pay [the Aguilars] the following amount, to wit:

(a) P252,486.58 representing the unpaid balance of the promissory note which [spouses Aguilar] were heretofore ordered to pay Citytrust;

(b) P500,000.00 as moral damages; P100,000.00 as exemplary damages; P50,000.00 as attorney's fees; and P20,000.00 as litigation expenses.

3. Ordering [World Cars] to pay [Citytrust] the following amount, to wit:

a) Penalty charges based on P252,486.58 at the rate of 5% per month from date of default until fully paid;

b) P50,000.00 as attorney's fees and appearance fee of P500.00 per hearing.

c) P50,000.00 as liquidated damages, cost of suit and other litigation expenses. (Underscoring supplied)

Hence, the present separate petitions of the Aguilars and World Cars.

The Aguilars fault the appellate court in:

A.

... GIVING LEGAL EFFECT TO THE PROMISSORY NOTE (PN) AND ITS DERIVATIVE INSTRUMENTS WHEN IT RULED THE SAME NULL AND VOID SINCE IT IS NOT REALLY DESIRED OR INTENDED TO PRODUCE LEGAL EFFECT.

B.

... RULING [CITYTRUST] A HOLDER IN DUE COURSE CONTRARY TO EVIDENCE ON RECORD.

C.

... RULING [SPOUSES AGUILAR] LIABLE ON THE PN CONTRARY TO EVIDENCE ON RECORD.

D.

... RULING [CITYTRUST NOT JOINTLY AND SEVERALLY LIABLE WITH WORLD CARS FOR DAMAGES AND ATTORNEY'S FEES CONTRARY TO EVIDENCE ON RECORD.[42] (Underscore supplied)

On the other hand, World Cars contend that:

A. THE ASSAILED DECISIONS OF THE HONORABLE COURT OF APPEALS ARE CONTRARY TO LAW AND PREVAILING JURISPRUDENCE.

B. CONSIDERING THAT THE ASSAILED DECISIONS OF THE HONORABLE COURT OF APPEALS ARE CONTRARY TO LAW AND PREVAILING JURISPRUDENCE THE AWARDS OF MORAL DAMAGES AGAINST WORLD CARS, INC. ARE ALSO CONTRARY TO LAW.

C. LIKEWISE, THE AWARDS OF EXEMPLARY DAMAGES, ATTORNEY'S FEES AND APPEARANCE FEES, LITIGATION EXPENSES AND THE COST OF SUIT AGAINST [WORLD CARS] ARE ALSO CONTRARY TO LAW.[43] (Underscore supplied)

Clearly, Perez was the agent of World Cars and was duly authorized to accept payment for the car. Josephine's testimony that before issuing the checks in the name of Perez, she verified from his supervisor and the latter confirmed Perez' authority to receive payment remains unrefuted by World Cars. In fact, World Cars admitted in its Answer with Counterclaim that "[w]hat was actually paid [by the Aguilar] and received by [it] was [Josephine's] check in the amount of P148,000.00 as downpayment for the said car." [44] Parenthetically, as earlier stated, when Josephine spoke to World Cars' Vice President Domondon, the latter informed her that the last payment had not been received.[45] This information of Domondon does not jibe with the claim of World Cars that it received only Josephine's first check in the amount of P148,000.00 as downpayment.

As the above table of checks issued by Josephine shows, the check in the amount of P148,000.00, Check No. 112703 dated May 30, 1992, was payable to Perez.

Since the Aguilar's payment to Perez is deemed payment to World Cars, the promissory note, chattel mortgage and other accessory documents they executed which were to take effect only in the event the checks would be dishonored were deemed nullified, all the checks having been cleared.

Since the condition for the instruments to become effective was fulfilled, the obligation on the part of the Aguilar to be bound thereby did not arise and World Cars did not thus acquire rights thereunder following Art. 1181 of the Civil Code which provides:

ARTICLE 1181. In conditional obligations, the acquisition of rights, as well as the extinguishment or loss of those already acquired, shall depend upon the happening of the event which constitutes the condition. (Emphasis supplied)

As no right against the Aguilar was acquired by World Cars under the promissory note and chattel mortgage, it had nothing to assign to Citytrust. Consequently, Citytrust cannot enforce the instruments against the Aguilar, for an assignee cannot acquire greater rights than those pertaining to the assignor.[46]

At all events, the Aguilar having fully paid the car before they became aware of the assignment of the instruments to Citytrust when they received notice thereof by Citytrust, they were released of their obligation thereunder. The Civil Code so provides:

ARTICLE 1626. The debtor who, before having knowledge of the assignment, pays his creditor, shall be released from the obligation.

While Citytrust cannot enforce the instruments against the Aguilar, since under the RFA, specifically paragraph 5(a) thereof, World Cars guaranteed as follows:

5. As further warranties, [World Cars] hereby agrees and shall be bound by the following:

a. World Cars guarantees to [Citytrust] its successors, and assigns, that it has full right and legal authority to make the assignment or discounting; that the installment papers so discounted by virtue of this agreement, are subsisting, valid, enforceable and in all respects what they purport to be; that the papers contain the entire agreement between the customers and [World Cars]; x x x that it has absolute and good title to such contracts and the personalities covered thereby and the right to sell and transfer the same in favor of [Citytrust]; x x x (Emphasis and underscoring supplied),

Citytrust's allegations in its Crossclaim against World Cars Inc., to wit:

x x x

6. That under the terms and conditions of the RFA, upon violation of the dealer's warranties and undertakings, defendant Citytrust Finance Corporation is entitled to recourse the discounted/assigned installments papers to the former;

7. That assuming that plaintiff's complaint is correct, defendant World Cars, Inc., appears to have violated the terms and conditions of the RFA it executed with Citytrust Finance Corporation;

Moreover, if it is proven that said plaintiffs have already paid the amount on said promissory note, then defendant World Cars Inc. would appear to have received twice the considerations thereof because it likewise received the proceeds of discounting thereof, from defendant Citytrust at the time said note was endorsed and assigned thus, unjustly enriching itself;

x x x

9. Assuming that plaintiffs' claims are proven to be true and that defendant World Cars, Inc. violated its warranties and undertakings to the defendant Citytrust, defendant World Cars, Inc. should likewise be made liable to herein defendant Citytrust for all the unpaid obligations arising from said promissory note above alleged, plus damages and attorney's fees as maybe proven during the trial.[47] (Emphasis and underscoring supplied),

are well-taken.

Respecting the award of moral and exemplary damages, attorney's fees and other litigation expenses to the Aguilar which World Cars assails, the same is in order. For by Josephine's testimony,[48] she was "annoyed, upset and angry"; and her husband became hypertensive on account of, and the credit line of their business was affected by World Cars' fraudulent breach of its agreement with them.[49]

As for the award to Citytrust of attorney's fees, appearance fees, litigation expenses and costs of suit against World Cars, the same is in order too, World Cars' violation of the RFA having compelled Citytrust to incur expenses to protect its interest.[50]

WHEREFORE, the Court of Appeals' decision is REVERSED and SET ASIDE and another rendered:

1. ANNULING the promissory note, chattel mortgage and its accessory contracts;
2. ORDERING World Cars to PAY:

(a) Citytrust

(1) whatever unpaid obligation due to it arising from the assignment of the promissory note;

(2) P50,000.00 as attorney's fees and P500.00 per hearing; and

(3) P50,000.00 as liquidated damages, cost of suit and other litigation expenses.

(b) spouses Aguilar

(1) P500,000.00 as moral damages;

(2) P100,000.00 as exemplary damages;

(3) P50,000.00 as attorney's fees; and

(4) P20,000.00 as litigation expenses.

Costs against petitioner, World Cars, Inc.

SO ORDERED.

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

[1] Transcript of Stenographic Notes (TSN), July 7, 1994 at 4-6.

[2] TSN, July 7, 1994 at 8-9.

[3] Exhibit "D"; Records at 30.

[4] TSN, July 7, 1994 at 9-13.

[5]Exhibit "D-1"; Records at 31.

[6]Records at 32.

[7] Exhibit "D-2"; Records at 33.

[8] TSN, July 7, 1994 at 9-13.

[9] Id. at 14.

[10] Exhibit "B-1"; Records at 204.

[11]Exhibit "E"; Records at 211.

[12]Exhibit "B-2"; Records at 205.

[13]Exhibit "B"; Records at 202.

[14] Exhibit "F"; Records at 212.

[15] Exhibit "O"; Records at 221.

[16] Exhibit "G"; Records at 213.

[17] Exhibit "H"; Records at 214.

[18] Exhibit "B-1-A"; Records at 204.

[19] Records at 213.

[20]Id. at 214.

[21] Id. at 213-214.

[22] TSN, July 7, 1994 at 25.

[23] Exhibit "I"; Records at 215.

[24] TSN, July 7, 1994 at 27.

[25] Exhibit "J"; Records at 216.

[26]Exhibit "K": Records at 217.

[27] Records at 216.

[28] Exhibit "L", Records at 218.

[29] TSN, July 7, 1994 at 32-33.

[30]Exhibit "M", Records at 219.

[31] TSN, July 7, 1994 at 35-36.

[32] Records at 1-5.

[33] Id. at 19-29.

[34]Id. at 34-38.

[35] Id. at 28.

[36] Id. at 50-53.

[37] Id. at 156-158.

[38] Court of Appeals (CA) Rollo at 73-82.

[39]Id. at 50-51.

[40] Id. at 22-23.

[41] G.R. No. 159592 Rollo at 40-72.

[42] Id. at 19-20.

[43] G.R. No. 159706 Rollo at 22.

[44] Par. 2 of World Cars' Answer, Records at 50.

[45]Supra, note 31.

[46]Koa v. Court of Appeals, 219 SCRA 541, 545 (1993) citing Gonzales v. Land Bank of the Phils., 183 SCRA 520 (1990); Zayas, Jr. v. Luneta Motors Company, 117 SCRA 726 (1982); Filinvest Credit Corp. v. Phil. Acetylene Co., Inc., 111 SCRA 421 (1982); Industrial Finance Corporation v. Ramirez, 77 SCRA 152 (1977); Industrial Finance Corporation v. Tobias, 78 SCRA 28 (1977).

[47]Records at 27.

[48] TSN, July 7, 1994 at 40.

[49] The Civil Code provides:

ARTICLE 2208. In the absence of stipulation, attorney's fees and expenses of litigation, other than judicial costs, cannot be recovered, except:

(1) When exemplary damages are awarded;

x x x

ARTICLE 2220. Willful injury to property may be a legal ground for awarding moral damages if the court should find that, under the circumstances, such damages are justly due. The same rule applies to breaches of contract where the defendant acted fraudulently or in bad faith.

x x x

ARTICLE 2232. In contracts and quasi-contracts, the court may award exemplary damages if the defendant acted in a wanton, fraudulent, reckless, oppressive, or malevolent manner. (Emphasis supplied)

[50] Paragraph (2) of Article 2208 of the Civil Code provides that there is basis to award attorney's fees and expenses of litigation, other than judicial costs, when the defendant's act or omission has compelled the plaintiff to litigate with third persons or to incur expenses to protect his interest.

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