

PATRICIO A. VILLENA, PETITIONER, VS. PATRICIO S. PAYOYO, RESPONDENT.

G.R. NO. 163021. April 27, 2007

Ponente: QUISUMBING, J.

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QUISUMBING, J.:

This petition for review on certiorari assails the Decision[1] dated November 21, 2003 of the Court of Appeals in CA-G.R. CV No. 70513 and its Resolution[2] dated March 18, 2004, denying petitioner's motion for reconsideration. The appellate court had affirmed with modification the Decision[3] dated April 26, 2000 of the Regional Trial Court (RTC) of Quezon City, Branch 78.

The facts are undisputed.

On October 28, 1997, respondent Patricio Payoyo and Novaline, Inc., through its president, petitioner Patricio Villena, entered into a contract for the delivery and installation of kitchen cabinets in Payoyo's residence. The cabinets were to be delivered within ninety days from downpayment of 50% of the purchase price. On October 29, 1997, Payoyo paid Villena P155,183 as downpayment.

On December 9, 1997, Payoyo entered into another contract with Villena for the delivery of home appliances. On the same day, Payoyo paid 50% of the purchase price equal to P29,638.50 as downpayment.

However, Villena failed to install the kitchen cabinets and deliver the appliances. Payoyo made several demands upon Villena but the latter failed to comply.

In a letter dated March 12, 1998, Payoyo demanded the cancellation of the contracts and the refund in full of the downpayments amounting to P184,821.50. Villena promised to install the kitchen cabinets on or before May 10, 1998 and to deliver the appliances. Despite repeated demands, Villena again failed to do so.

Payoyo sent Villena two demand letters on June 24, 1998 and on July 28, 1998 asking the latter to either deliver all items or return the downpayments.

On October 26, 1998, Payoyo filed a complaint for recovery of a sum of money and damages against Villena. Villena moved to dismiss the complaint for failure to state a cause of action. He argued that there was no ground to cancel the contract; thus, there was no basis for refund. The trial court denied his motion. Villena thereafter filed an answer with compulsory counterclaim citing as an affirmative defense Payoyo's failure to state a cause of action.

On June 1, 1999, immediately after the trial court issued a pre-trial order, Villena filed a second motion to dismiss on the ground of lack of jurisdiction over the subject matter but it was denied. Thereafter, trial ensued.

The trial court decided in favor of Payoyo, reasoning that the power to rescind is implied in reciprocal obligations. Considering that Villena repeatedly failed to comply with his obligation, Payoyo had the right to rescind the contract and demand a refund. The trial court ordered petitioner to pay respondent P184,821.50 as actual damages

plus 12% interest per annum from the date of filing of the complaint and P20,000 as moral damages plus legal interest from judicial demand until fully paid.

The Court of Appeals affirmed the RTC decision with the following modifications:

- 1) [Petitioner Villena is] hereby ordered to pay [respondent Payoyo] actual damages in the amount of P 155,183.00 with 12% interest per annum from the date of the filing of the complaint;
- 2) [Petitioner is] likewise ordered to deliver the Indesit Multifunction Oven and Indesit Hob in favor of [respondent] within thirty (30) days from the finality of this decision; and
- 3) [Respondent] is hereby ordered to pay the purchase price of the Indesit Multifunction Oven and Indesit Hob in favor of [petitioner] on the day the delivery is made.[4]

The appellate court reasoned that while there was delay in the delivery and installation of the kitchen cabinets, there was none in the delivery of the appliances. The contract for said appliances did not specify the date of delivery but that delivery should be made upon payment of the 50% balance of the purchase price. Considering that Payoyo failed to pay the balance, Villena did not incur delay.

Hence, the instant petition, where petitioner raises the following issues:

I.

WHETHER OR NOT THE TRIAL COURT HAD JURISDICTION OVER THE SUBJECT MATTER OF THE CASE.

II.

WHETHER OR NOT [THE] DEFENDANTS-APPELLANTS (PETITIONER AND NOVALINE, INC.), ARE ESTOPPED FROM QUESTIONING THE JURISDICTION OF THE COURT UNDER THE CIRCUMSTANCES.[5]

Simply, the issue in this case is whether the trial court had jurisdiction over the complaint.

Petitioner maintains that the RTC should have dismissed the complaint for lack of jurisdiction. He posits that the RTC has no jurisdiction over the complaint since it is mainly for recovery of a sum of money in the amount of P184,821.50 which is below the jurisdictional amount set for RTCs.[6] Moreover, petitioner contends that the issue of jurisdiction may be raised at any time, even on appeal, since jurisdiction is conferred only by law and cannot be acquired through or waived by any act or omission of the parties.[7]

Respondent, on the other hand, contends that the RTC has jurisdiction over the complaint as the allegations therein show that it is actually a case for rescission of the contracts. The recovery of a sum of money is merely a necessary consequence of the cancellation of the contracts.[8]

The pertinent portion of Section 19 of Batas Pambansa Bilang 129, as amended by Republic Act No. 7691,[9] provides:

SEC. 19. Jurisdiction in civil cases.—Regional Trial Courts shall exercise exclusive original jurisdiction:

- (1) In all civil actions in which the subject of the litigation is incapable of pecuniary estimation;

x x x x

- (8) In all other cases in which the demand, exclusive of interest, damages of whatever kind, attorney's fees, litigation expenses, and costs or the value of the property in controversy exceeds One Hundred Thousand pesos (P100,000.00) or, in such other cases in Metro Manila, where the demand, exclusive of the abovementioned

items exceeds Two Hundred Thousand pesos (P200,000.00).

In determining the jurisdiction of an action whose subject is incapable of pecuniary estimation, the nature of the principal action or remedy sought must first be ascertained. If it is primarily for the recovery of a sum of money, the claim is considered capable of pecuniary estimation and the jurisdiction of the court depends on the amount of the claim. But, where the primary issue is something other than the right to recover a sum of money, where the money claim is purely incidental to, or a consequence of, the principal relief sought, such are actions whose subjects are incapable of pecuniary estimation, hence cognizable by the RTCs.[10]

Verily, what determines the nature of the action and which court has jurisdiction over it are the allegations of the complaint and the character of the relief sought.[11]

In our considered view, the complaint, albeit entitled as one for collection of a sum of money with damages, is one incapable of pecuniary estimation; thus, one within the RTC's jurisdiction. The allegations therein show that it is actually for breach of contract, thus,

x x x x

- Under their Contracts, prestation and/or delivery of the items will be performed and delivered within NINETY (90) DAYS from the receipt of downpayment. Plaintiff complied with its prestation but defendants defaulted with their obligation;

x x x x

- On 12 March 1998, plaintiff sent letter to defendants requesting the latter for the cancellation of the purchase contracts and refund in full the (50%) downpayment paid in the total amount of (P 184, 821.50) within five (5) days upon receipt of the letter...

x x x x

- On 24 March 1998, plaintiff and defendant Patricio A. Villena, personally talked [to] each other regarding the full refund of the (50%) downpayment in the amount of P 184, 821.50. Defendant informed the plaintiff that it was their fault because the order from their Australian supplier was made only on 15 December 1997. Defendant promised plaintiff [delivery of] the three (3) Kitchen Cabinets on or before 10 [M]ay 1998, and the three (3) home appliances were considered fully paid applying the (50%) downpayment of (P 29,638.50) for home appliances only. But defendant did not fulfill his promise;

- Despite all these, repeated demands for the installation of the (3) three kitchen [c]abinets and complete delivery of home appliances were made, but defendants did nothing;

x x x x[12] (Emphasis added.)

A case for breach of contract is a cause of action either for specific performance or rescission of contracts.[13] An action for rescission of contract, as a counterpart of an action for specific performance, is incapable of pecuniary estimation, and therefore falls under the jurisdiction of the RTC.[14] In the present case, the averments in the complaint show that Payoyo sought the cancellation of the contracts and refund of the downpayments since Villena failed to comply with the obligation to deliver the appliances and install the kitchen cabinets subject of the contracts. The court then must examine the facts and the applicable law to determine whether there is in fact substantial breach that would warrant rescission or cancellation of the contracts and entitle the respondent for a refund. While the respondent prayed for the refund, this is just incidental to the main action, which is the rescission or cancellation of the contracts.

WHEREFORE, the petition is DENIED for lack of merit. The Decision dated November 21, 2003 of the Court of

Appeals in CA-G.R. CV No. 70513 and the Resolution dated March 18, 2004 are AFFIRMED.

Costs against petitioner.

SO ORDERED.

Carpio, Carpio-Morales, Tinga, and Velasco, Jr., JJ., concur.

[1] Rollo, pp. 38-56.

[2] Id. at 58-59.

[3] Id. at 104-107.

[4] Id. at 55.

[5] Id. at 233.

[6] Id. at 238.

[7] Id. at 243.

[8] Id. at 257.

[9] AN ACT EXPANDING THE JURISDICTION OF THE METROPOLITAN TRIAL COURTS, MUNICIPAL TRIAL COURTS, AND MUNICIPAL CIRCUIT TRIAL COURTS, AMENDING FOR THE PURPOSE BATAS PAMBANSA BLG. 129, OTHERWISE KNOWN AS THE "JUDICIARY REORGANIZATION ACT OF 1980."

[10] *Huguete v. Embudo*, G.R. No. 149554, July 1, 2003, 405 SCRA 273, 278-279, citing *Singsong v. Isabela Sawmill*, No. L-27343, February 28, 1979, 88 SCRA 623, 637-638.

[11] *Huguete v. Embudo*, id., citing *Cañiza v. Court of Appeals*, G.R. No. 110427, February 24, 1997, 268 SCRA 640, 647-648.

[12] Rollo, pp. 62-64.

[13] *Radio Communications of the Philippines, Inc. v. Court of Appeals*, G.R. No. 136109, August 1, 2002, 386 SCRA 67, 71.

[14] *Russell v. Vestil*, G.R. No. 119347, March 17, 1999, 304 SCRA 738, 745, citing *Lapitan v. Scandia, Inc.*, No. L-24668, July 31, 1968, 24 SCRA 479, 482.

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