

SWIFT FOODS, INC., PETITIONER, VS. SPOUSES JOSE MATEO, JR. AND IRENE MATEO, RESPONDENTS.

G.R. No. 170486. September 12, 2011

Ponente: DEL CASTILLO, J.

Read online (full-text search, related cases, audio case brief): <https://batas.org/library/g-r-no-170486/>

DEL CASTILLO, J.:

A review of the facts of the case is necessary when the courts below fail to make findings that are necessary for a proper disposition of the case.

Before the Court is a Petition for Review[1] of the November 15, 2005 Decision[2] of the Court of Appeals (CA) in CA-G.R. CV No. 73368. The dispositive portion of the assailed Decision reads:

WHEREFORE, the appealed decision is AFFIRMED with MODIFICATION, in that the trial court's award of attorney's fees to the [respondents] is deleted for lack of basis.

SO ORDERED.[3]

The affirmed ruling of the trial court contained the following disposition:

WHEREFORE, in view of the foregoing, the Court hereby renders judgment in favor of [respondents] SPS. JOSE & IRENE MATEO and against [petitioner] SWIFT FOODS, INC., directing [petitioner] to:

1. RETURN the Owner's Duplicate Copies of Transfer Certificates of Title Nos. T-19808 P(M), T-19809 P(M) and T-19810 P(M) of the Registry of Deeds of Bulacan immediately;
2. RETURN P100,000.00 cash bond upon the finality of this Decision with interest at twelve [percent] (12%) per annum from the filing of this Complaint until fully satisfied;
3. PAY to [respondents] the following amounts, to wit:
 - a. Two Hundred Forty Three Thousand (P243,000.00) Pesos as actual damages representing the warehousing fees from May 13, 1996 up to June 30, 1997;
 - b. Two Hundred Thousand (P200,000.00) Pesos as moral damages;
 - c. One Hundred Thousand (P100,000.00) Pesos for and as attorney's fees; and
 - d. Cost of suit.

SO ORDERED.[4]

Factual antecedents

Petitioner Swift Foods, Inc. (Swift) is a corporation engaged in the manufacture, sale, and distribution of animal feeds.

Respondent-spouses Jose and Irene Mateo (respondents) are businessmen engaged in a dealership in poultry and

feeds supply and a trucking business in San Jose Del Monte, Bulacan.

In 1984, the two parties entered into a Trucking Agreement whereby respondents' trucks hauled Swift's feeds from its central office in Pioneer Street in Mandaluyong City to its various warehouses in Luzon. Under this agreement, respondents deposited cash bonds of P100,000.00 per truck. Several years into their contract, only one truck of respondents remained under contract but Swift maintained respondents' cash bond of P100,000.00. Respondents requested the return of the excess cash bond but the same was inexplicably denied by Swift.

In June 1995, respondent Jose Mateo (Jose) spoke with Swift's Feeds Sales Supervisor, Efren Buhain[5] (Buhain), regarding the possible lease of Jose's warehouse for the storage of Swift's feeds products. The two agreed and on July 5, 1995, Jose signed the Warehousing Agreement, which was to remain in force for a two-year period.[6] The signatory for Swift was its Vice-President for Feed Operations, Edward R. Acosta.[7] While the warehousing agreement required Jose to post a bond to secure his faithful compliance with his obligations,[8] both parties nonetheless proceeded with the enforcement of the contract even without compliance with such requirement.

In the same month, Swift began delivering feeds to respondents' warehouse.[9] Swift's booking salesman, Rosalino Enfestan[10] (Enfestan), worked closely with respondents in the warehouse operations, even supervising the work of respondents' bodegero, Vicente Mateo (Vicente).[11] To properly document the movement of the stocks, Swift, through Enfestan gave respondents two kinds of warehouse documents: the Daily Warehouse Stock Report (DWSR), which is the inventory of incoming stocks, and the Warehouse Issue Slip (WIS), which is a receipt for released stocks.[12] According to Swift, the WIS should contain the signature of the sales personnel as proof that the latter received the released stocks, in accordance with Paragraph V of the agreement. According to Jose, Wilfredo Pacres (Wilfredo), Swift's National Feed Sales Manager, would sometimes inspect respondents' warehouse and the warehouse documents.[13]

On February 16, 1996, seven months into the contract, the respondents in apparent compliance with the bond requirement, delivered three land titles to Swift.[14] The acknowledgment receipt issued by Swift for the surrendered titles stated that these were "collateral for feeds warehousing."[15] The receipt was duly signed by Swift officials and by respondent Jose.

On May 9, 1996, Swift's personnel, Wilfredo and Jasmine Pena, conducted an audit of the stocks stored in respondents' warehouse. They went over the warehousing documents (i.e., WIS and DWSR) and counted the remaining stocks. A comparison of the two warehouse documents revealed one missing bag, which respondent Jose duly paid on the same day.[16]

On May 20, 1996, however, Swift informed respondents that it was terminating their contract effective May 13, 1996 because of respondents' violations of their Warehousing Agreement.[17] Swift explained that, under Paragraph V of the Warehousing Agreement, the warehouse operator should only release stocks to Swift's sales personnel after the latter presents a clearance to withdraw stocks.[18] This was to ensure that Swift's stocks would only be released to authorized individuals and Swift could collect payment accordingly. Contrary to this provision, respondents released stocks without the necessary clearance to withdraw and without the participation of Swift's sales personnel. The violations were evident from the WIS which did not contain the signatures of Swift's sales personnel. The absence of the sales personnel's signature meant that the warehouseman released stocks, without the participation of Swift's sales personnel, and without any written authority from Swift. These unauthorized releases caused Swift a cash shortage of around P2 million, for which respondents should be held liable.[19] Swift then retained respondents' three land titles until the latter shall have fully complied with their obligation. It cited as its basis Paragraph XII of the Warehousing Agreement, which states that the "bond x x x shall answer for whatever obligation the warehouse operator may have with [Swift]."[20]

Respondents denied violating the terms of the warehousing agreement. They explained their actions as mere obeisance to Buhain and Enfestan's instructions to release the stocks directly to customers. As proof of these instructions, respondents presented the handwritten letter they received from Buhain[21] authorizing them to release the stocks directly to customers. Respondents maintained that Buhain and Enfestan should answer for the cash shortages. Expecting their explanation to be satisfactory, respondents demanded that Swift return their three land titles.[22] When Swift did not accede to their demand,[23] respondents filed a complaint against Swift for the surrender of their certificates of

title with damages[24]

Respondents' complaint alleged that petitioner is retaining respondents' titles without legal justification. They maintained that the alleged cash shortage is attributable to petitioner's negligence in the supervision of its sales personnel. Respondents claimed actual damages from petitioner consisting of the monthly rentals for the unexpired term of the contract for the unjustified termination of their warehousing agreement.

Respondents then filed an Amended Complaint.[25] They included an additional cause of action, whereby respondents asserted that petitioner is in possession of respondents' cash bond, worth P100,000.00, under their expired trucking agreement. Respondents argued that petitioner had no right to retain the bond because the trucking agreement had already expired and respondents did not incur liabilities under the said trucking agreement that may be chargeable to the cash bond.

Petitioner countered in its Answer that it was respondents' breach of the clear written terms of the agreement which facilitated the unauthorized sales committed by the sales personnel.[26] It was respondents who were well aware that petitioner's sales personnel were not following the procedure set out in the warehousing agreement. It was therefore incumbent upon them to have alerted petitioner to the matter. Respondents' failure to do so constitutes bad faith in the performance of their contractual obligations.[27]

Ruling of the Regional Trial Court[28]

The trial court ruled in favor of respondents and ordered petitioner to return

the three land titles. The RTC held that respondents did not breach the Warehousing Agreement for which their titles may be answerable. They merely followed the instructions given to them by Swift's sales personnel, which instructions they had no reason to doubt. Since respondents were first-time warehouse operators, they could not have been presumed to have any knowledge of the warehouse operating procedures. It was therefore incumbent upon Swift to have conducted training and seminars for respondents. It was Swift's failure to conduct such trainings for respondents that allowed the Swift sales personnel to take advantage of the novice warehouse operators. Moreover, Swift should recover their cash shortages from its own employees who appear to have malversed the same.

In the absence of a breach of contract, Swift was not justified in prematurely terminating the warehouse agreement. For this, it was ordered by the court to pay respondents the unrealized warehousing fees for the remaining duration of the contract.

Since Swift did not allege damages incurred pursuant to the trucking agreement, it is not justified in keeping the P100,000.00 cash bond beyond its purpose. Thus, the trial court ordered petitioner to return respondent's cash bond.[29]

The trial court also ordered petitioner to pay P100,000.00 as attorney's fees and P200,000.00 as moral damages, as well as costs of suit.[30]

Petitioner appealed the adverse Decision. It argued that the trial court erred in finding respondents free of any liability under the warehousing agreement. Respondents were not justified in contravening the written terms of their agreement. Their contractual breach is clear and their bond, consisting of the three

land titles, is properly answerable for the damages caused to petitioner.

Ruling of the Court of Appeals[31]

The CA disagreed with petitioner. First, the CA held that petitioner had no basis for terminating the Warehousing Agreement. The CA observed that petitioner did not bring the alleged contractual breach to respondents' attention. Its silence can be taken as its condonation of respondents' acts.[32] Having condoned these acts for several months, petitioner's sudden unilateral termination of the warehouse agreement was tainted with bad faith for which petitioner should be held liable for damages.[33]

Second, petitioner failed to prove its allegation that respondents incurred cash shortages that can be charged against the surrendered titles. The CA noted petitioner's utter failure to present the Audit Report, which could have proven the existence and extent of the cash shortage. Moreover, it failed to present the original or duplicate originals of the WIS. Weighing the evidence on record, the CA ruled that the shortages appear to be attributable to petitioner's employees, Buhain and Enfestan, not to respondents. Thus, petitioner has no justification for withholding respondents' titles and was ordered to return the same to respondents.[34]

The CA also found sufficient basis for the trial court's award of moral damages to respondents in the amount of P200,000.00.[35] The CA, however, deleted the award of attorney's fees to respondents for lack of basis.[36]

Hence, this petition.

Petitioner's arguments

Petitioner assails the CA Decision that petitioner has no right to withhold respondents' land titles.

Petitioner points out that respondent Jose and his bodegero, Vicente, admitted in open court that they issued stocks directly to customers without a prior written clearance from the petitioner and without obtaining the signature of the sales personnel on the WIS. Respondents' irregular practice constitutes a breach of the contract, which caused substantial financial losses to petitioner and is chargeable against respondents' collateral.[37]

Petitioner likewise assails the CA Decision for relieving respondents of all the blame and finding petitioner's sales personnel responsible for the incurred cash shortage. Petitioner insists that respondents did not present admissible proof of the sales personnel's culpability.[38]

Petitioner maintains that the CA erred in ordering petitioner to return respondents' cash bond of P100,000.00 under an alleged trucking agreement. Petitioner argues that there was no basis for the said Decision given that respondents never presented such agreement and any proof of the delivery of the cash bond to petitioner. It invoked the Best Evidence Rule that when the contents of a document are in issue, the best evidence thereof is the original document which contains all the terms between the contracting parties.[39]

Respondents' arguments

Respondents pray for the dismissal of the petition on the ground that it raises factual issues, which is beyond the province of a Rule 45 petition for review.[40]

With respect to the allegation that releasing stocks without prior written authority constitutes a breach of the Warehousing Agreement, respondents replied that the breach was caused by petitioner itself when it never issued any written authority for the release of stocks. Moreover, petitioner was content to receive the collections from the

sales of respondents' warehouse, without questioning the absence of prior written authorizations.[41]

Respondents maintain that petitioner failed to prove respondents' liability for cash shortages. The photocopies of the WIS were inadmissible because petitioner could not adequately explain why the originals were lost. Moreover, petitioner could not present the audit report on the cash shortages despite its contention that such report exists.[42]

As for the failure to present the Trucking Agreement in court, respondents argue that petitioner never objected to respondent Jose's testimony regarding the existence of the same and the delivery of the cash bond to petitioner. Thus, respondents maintain that this is a question of fact that was raised for the first time in the appeal.[43]

Issue

Whether the CA erred in its appreciation of the evidence

Our Ruling

This case involves respondents' complaint against Swift to surrender their

land titles. Swift refused to return the titles on the ground that they were being held as security for respondents' liabilities for their breach of the warehousing agreement. Respondents denied incurring any liability under the agreement. Thus, at the heart of the case is the issue of whether respondents committed a breach of the warehousing agreement for which they may be held liable to Swift.

From a reading of the decisions below, it appears that the trial and appellate courts side-stepped this issue of breach. Both Decisions did not make categorical findings on the matter. Instead, they pronounced that respondents' actions, whether violative of the written contract or not, were justified because petitioner neglected to inform respondents of their duties under the warehousing agreement and to conduct trainings and seminars to orient respondents to warehouse operations. According to the lower courts, it was petitioner's negligence that made the novice warehouse operators easy prey to petitioner's erring employees, and petitioner should have monitored its employees better to avoid the situation. The error in the Decisions below is apparent. They failed to decide the main question of whether respondents breached the contract. It is for this reason that this Court, which generally does not review facts, is pressed to make its own findings for a proper disposition of the case.

The vinculum that binds respondents and petitioner is their contract, denominated as a warehousing agreement. Under the said contract, the parties agreed that petitioner will pay respondents a monthly warehousing fee of P18,000.00, and in return, respondents will warehouse petitioner's stocks and be accountable for all the stocks duly received and released by them.[44] Their contract also required respondents to post a bond to answer for whatever obligations they may have with petitioner.[45]

The agreement also provided the procedures that respondents should observe "in order to promote an effective and efficient warehouse operation." [46] For the purpose of this disposition, the relevant procedural provision is Paragraph V, to wit:

V- RECEIPTS AND ISSUANCE OF STOCKS

The WAREHOUSE OPERATORS shall duly acknowledge all incoming deliveries from [Swift] signing on the corresponding Delivery Receipts and Waybills.

The WAREHOUSE OPERATORS shall issue stocks, duly documented, to all feeds salesmen assigned in the area, which stocks may be issued only upon presentment of the clearance to withdraw stocks.

Under no circumstanc[e] that the WAREHOUSE OPERATORS shall issue any stocks to any person, including

themselves without any prior written authority from [Swift]. In any event all stocks withdrawals must pass thru the authorized feeds salesman of [Swift].[47]

The foregoing provision of the Warehousing Agreement states that the warehouseman should only release stocks to Swift's sales personnel who present a clearance to withdraw stocks.

The records reveal that, contrary to this provision, respondents released stocks without the necessary clearance. They admitted in court that they never required a clearance prior to the release of stocks. Moreover, they admitted that there were times when they released stocks directly to customers and not to petitioner's sales personnel. When asked to explain his actions which were in contrast to his contractual undertakings, respondent Jose admitted not reading, much less understanding, the warehouse agreement. He simply followed all the verbal instructions given to him by Buhain and Enfestan. Thus, respondents' breach of Paragraph V of the Warehousing Agreement is clear.

These admissions were ignored by the trial and appellate courts, which seemed to brush off Jose's negligence as understandable because he was a novice in the warehousing business. But one's newness to the business is not an excuse to violate the clear terms of one's contract. A seasoned businessman such as Jose (who admitted in open court to having several successful businesses) should have been alert to the dangers of contravening the clear terms of one's contract. He should not have deviated from the procedure provided in the contract in the absence of any amendment therein. At the very least, ordinary diligence required him to inquire with the head office whether the changes being introduced by Buhain or Enfestan were proper or authorized. Respondents' total reliance on the word of petitioner's sales personnel, contrary to the written contract, is a clear act of negligence. A contract is the law between the parties and those who are guilty of negligence in the performance of their obligations are liable for damages.[48]

Worse, the real reason why respondent Jose did not notice the dubious nature of the procedures being introduced by the Swift personnel was his total ignorance of his obligations under the warehousing agreement. He admitted not reading the agreement, which was a total abdication of his duties. Unless a contracting party cannot read or does not understand the language in which the agreement was written, he is presumed to know the import of his contract and is bound thereby.[49] Not having alleged any of the foregoing, respondent Jose has no excuse for his actions. It was his nonchalance to his contractual duties and obligations, which facilitated the malfeasance of petitioner's personnel and exposed petitioner to undue risks.

Having come to the finding of breach, we come to the determination of respondents' liability. Swift maintains that, due to respondents' unauthorized stock releases, it was unable to collect the payments for 4,444 bags of feeds, the price of which amounts to P2,197,063.00.[50] What Swift is trying to recover are actual damages, which is only awarded to the extent that pecuniary loss had been proven.[51] Unfortunately for Swift, it miserably failed to prove its actual damage.

According to Paragraph IV of the Warehouse Agreement, Swift's "claims x x x against the operators shall be based on prevailing price list at the time of loss." [52] The records show that Swift failed to prove the existence and extent of the alleged shortages for which respondents are being held liable. It did not even attempt to show in court the prevailing price of the feeds that respondents released. The least that Swift could have done was to produce the audit report to serve as basis of its claims against respondents. As it is, Swift only presented the WIS that did not contain the signatures of the sales personnel, which is only proof that respondents violated paragraph V of the warehouse agreement, but is not sufficient proof of the damages caused by the violation.

In these situations where there has been a breach of contract but actual damages have not been established, nominal damages may be awarded to vindicate the injured party's rights.[53] Considering that the respondents did

not perform or even take efforts to fully comply with their duties and obligations under the warehousing agreement, it is only just that they be ordered to return P150,000.00 as nominal damages which is an approximation of whatever benefit they received from such agreement.

As for the land titles surrendered by respondents, the Court determines that Swift has no basis for retaining the same as "collateral for feeds warehousing." [54] While the warehousing agreement stipulated that the respondents shall post a bond (which may be in the form of a property bond), this was merely a future undertaking that did not actually materialize. Although the respondents delivered their land titles to Swift, they did not actually execute any bond agreement or security instrument (such as real estate mortgage). In the absence of such bond agreement or security instrument, it cannot be said that a bond has actually been posted or constituted. Besides, even assuming *arguendo* that the real properties served as collateral, petitioner cannot just appropriate them in view of the prohibition against *pactum commissorium*. [55]

Considering petitioner's wrongful retention of respondents' titles, we affirm the lower courts' award of moral damages in favor of respondents. "The person claiming moral damages must prove the existence of bad faith by clear and convincing evidence for the law always presumes good faith." [56] "Bad faith is defined in jurisprudence as a state of mind affirmatively operating with furtive design or with some motive of self interest or ill will or for ulterior purpose." [57] Respondents were able to prove that petitioner acted in bad faith in keeping the titles despite its knowledge that there was no bond or real estate mortgage to justify its retention thereof. Petitioner knew that it needed a real estate mortgage to keep the titles, as shown by the fact that its officer even went to respondents' home to try to obtain their signatures to a deed of real estate mortgage (without success). [58] Despite its failure to obtain such bond, petitioner bull-headedly kept the titles.

The Court, however, finds the sum awarded as moral damages excessive under the circumstances. [59] The Court believes that the amount of P50,000.00 as moral damages is reasonable and sufficient. Moral damages are not punitive in nature and not intended to enrich the claimant at the expense of the defendant. [60]

As for the cash bond of P100,000.00 still held by petitioner despite the termination of the trucking agreement, the Court affirms the trial and appellate courts' findings that the same has been duly established. Petitioner did not deny receiving the cash bond. Neither did it allege that it has already returned the cash bond, nor did it allege that respondents incurred liabilities under the trucking agreement for which the bond may answer. The inevitable conclusion is that it remains indebted to respondents for the said cash bond. Moreover, such debt was impliedly admitted by petitioner when it stated in its Answer [61] that it had agreed to offset the amount it owes respondent under the cash bond with respondents' liability for breaching the warehousing agreement.

Nevertheless, the Court finds basis for modifying the trial and the appellate courts' disposition regarding the interest rate imposable on the cash bond. [62] Since the bond is not a loan or a forbearance of money, the interest rate should only be six percent (6%) per annum from May 17, 1999, [63] which is the date of judicial demand. The interest rate of twelve percent (12%) per annum shall apply from the finality of judgment until its full satisfaction. [64]

WHEREFORE, premises considered, the petition is **PARTIALLY GRANTED**. The November 15, 2005 Decision of the Court of Appeals in CA-G.R. CV No. 73368 is **REVERSED AND SET ASIDE** insofar as it found **SWIFT FOODS, INC.** liable to the spouses Jose Mateo, Jr. and Irene Mateo for actual damages. Instead, the spouses Jose Mateo, Jr. and Irene Mateo are ordered to **PAY SWIFT FOODS, INC.** the amount of P150,000.00 by way of **NOMINAL DAMAGES**, which amount may be offset (to the extent applicable) against the monetary award in favor of spouses Jose Mateo, Jr. and Irene Mateo.

The rest of the assailed Decision of the Court of Appeals is **AFFIRMED**

with the MODIFICATIONS, to wit:

1. The legal interest imposed on the P100,0000.00 cash bond shall be at the rate of six percent (6%) per annum from May 17, 1999 and at the rate of twelve percent (12%) per annum from the time the judgment of this Court becomes final and executory until the obligation is fully satisfied;
2. The award of moral damages in favor of spouses Jose Mateo, Jr. and Irene Mateo is REDUCED to P50,000.00.

SO ORDERED.

Corona, (Chairperson), Leonardo-De Castro, Bersamin, and Villarama, Jr., JJ., concur.

[1] Rollo, pp. 19-43.

[2] CA rollo, pp. 249-263; penned by Associate Justice Vicente S.E. Veloso and concurred in by Associate Justices Juan Q. Enriquez, Jr. and Amelita G. Tolentino.

[3] CA Decision, p. 14; id. at 262.

[4] RTC Decision, p. 4; Records, p. 463; penned by Judge Santiago G. Estrella.

[5] Direct Testimony of Jose Mateo dated October 4, 1999, p. 11.

[6] Id. at 19.

[7] Records, p. 191.

[8] Id. The agreement states:

XII - BOND TO SECURE FAITHFUL COMPLIANCE

It is agreed and understood that the WAREHOUSE OPERATORS shall post a bond acceptable to [Swift] which may either be surety bond, or a certificate of time deposit, or a cash bond, or a property bond in the amount of ONE MILLION (P1,000,000.00) PESOS. In case of surety bond, only surety bonds issued by an accredited bonding company of [Swift] are acceptable. In case of time deposit, it shall be issued by a major commercial bank, and that the same shall be properly assigned in favor of [Swift]. Cash bond will earn an annual interest of 10%. In case of property bond, the same shall be subject to the proper appraisal by [Swift].

This bond, in any of the forms mentioned, shall answer for whatever obligation the WAREHOUSE OPERATORS may have with [Swift]. Notwithstanding the foregoing, [Swift] will not be precluded from bringing any action against the WAREHOUSE OPERATORS as it may be entitled under the law.

[9] Direct Testimony of Jose Mateo dated October 4, 1999, p. 12.

[10] Also referred to as EMFESTAN in some parts of the records.

[11] Direct Testimony of Jose Mateo dated October 4, 1999, p. 28.

[12] Id. at 28-29.

[13] Direct Testimony of Jose Mateo dated October 25, 1999, pp. 3-4.

[14] TCT Nos. T-19810 P(M), T-19809 P(M), T-19808 P(M), Records, pp. 367-372.

[15] Id. at 11.

[16] Id. at 202-203.

[17] Id. at 75. The letter reads thus:

Dear Mr. Mateo:

We are writing to your good office to inform you that we shall terminate our warehousing agreement effective May 13, 1996.

This was due to violation [sic] committed in our Warehousing Contract of Agreement. Violation covers the following provisions:

Provision I - Ownership of Stocks

Provision IV - Liability for Stocks Shortage

Provision V - Receipts and Issuance of Stocks

The monthly rental of P18,000.00 per month shall likewise be on hold starting April & May, this shall be applied to the three months advance deposit we have done last year. May we also request that the remaining P18,000.00 from the 3 months advance be return [sic] to SFI.

Thank you very much for the kind support and understanding.

Very truly yours,

(Signed)

Wilfredo H. Pacres

National Feeds Sales Manager

[18] Id. at 190. The pertinent paragraph is reproduced below:

V - RECEIPTS AND ISSUANCE OF STOCKS

The WAREHOUSE OPERATORS shall duly acknowledge all incoming deliveries from [Swift] signing on the corresponding Delivery Receipts and Waybills.

The WAREHOUSE OPERATORS shall issue stocks, duly documented, to all feeds salesmen assigned in the area, which stock may be issued only upon presentment of the clearance to withdraw stocks.

Under no circumstances that the WAREHOUSE OPERATORS shall issue any stocks to any person, including themselves without any prior written authority from [Swift]. In any event all stocks withdrawals must pass thru the authorized feeds salesman of [Swift]. (Emphasis supplied.)

[19] Id. at 209-210.

[20] Id. at 191.

[21] Id. at 235.

[22] Id. at 12-13.

[23] Id. at 14-15.

[24] Id. at 2-6.

[25] Id. at 64-72.

[26] Id. at 95-96.

- [27] Id. at 96.
- [28] Id. at 460-463.
- [29] RTC Decision, p. 3; id. at 462.
- [30] RTC Decision, p. 4; id. at 463.
- [31] CA rollo, pp. 249-263.
- [32] CA Decision, pp. 9-10; id. at 257-258.
- [33] Id. at 11-12; id. at 259-260.
- [34] Id. at 10-11; id. at 258-259.
- [35] Id. at 12-13; id. at 260-261.
- [36] Id. at 13-14; id. at 261-262. The spouses Mateo did not appeal the deletion of attorney's fees and the same became final and was recorded in the Book of Entries of Judgments on December 5, 2005 (Id. at 319).
- [37] Petitioner's Memorandum, pp. 9-13; rollo, pp. 149-153.
- [38] Id. at 13-19; id. at 153-159.
- [39] Id. at 25-26; id. at 165-166.
- [40] Respondents' Memorandum, id. at 192-194.
- [41] Id. at 195-196.
- [42] Id. at 197-198.
- [43] Id. at 204.
- [44] Records, p. 189.
- [45] Id. at 191.
- [46] Id. The whole provision is reproduced below:
- XIV- OTHER PROVISIONS
- It is agreed and understood that all existing Standard Operating Procedures, Circulars and Directives, and those which may hereafter be issued by [Swift] shall be observed by the WAREHOUSE OPERATORS in order to promote an effective and efficient warehouse operations [sic], [Swift] shall, from time to time, provide the WAREHOUSE OPERATORS such Operating Procedures, Circulars, and Directives.
- [47] Id. at 190.
- [48] CIVIL CODE, Article 1170.
- [49] CIVIL CODE, Article 1332.
- [50] Records, p. 99.
- [51] CIVIL CODE, Article 2199.
- [52] Records, p. 190.

[53] CIVIL CODE, Article 2221; Lufthansa German Airlines v. Court of Appeals, 313 Phil. 503, 526 (1995).

[54] Records, p. 11.

[55] A pactum commissorium is a stipulation that the creditor can appropriate or dispose of the things given to the creditor by way of security. Article 2088 of the Civil Code declares such stipulations null and void.

[56] Ace Haulers Corporation v. Court of Appeals, 393 Phil. 220, 230 (2000).

[57] Balbuena v. Sabay, G.R. No. 154720, September 4, 2009, 598 SCRA 215, 227.

[58] Direct Testimony of Jose Mateo dated October 25, 1999, pp. 9-13; Direct Testimony of David Ulep, September 20, 2001, pp. 7-11.

[59] CIVIL CODE, Article 2216.

[60] Spouses Paguyo v. Astorga, 507 Phil. 36, 56-58 (2005); Aguilar v. Burger Machine Holdings Corporation, G.R. No. 172602, October 30, 2006, 506 SCRA 266, 278.

[61] Answer to Amended Complaint, Records, p. 93.

[62] Records, p. 64.

[63] In the absence of evidence of extrajudicial demand, CIVIL CODE, Article 1169.

[64] Eastern Shipping Lines, Inc. v. Court of Appeals, G.R. No. 97412, July 12, 1994, 234 SCRA 78, 95-97.

ABOUT BATAS.ORG

Study smarter at BATAS.org

The Philippine bar review and law-school companion built around how your brain actually remembers.

The complete Philippine law library - free for everyone.

More than 100,000 Supreme Court decisions, Republic Acts, and executive issuances - full-text searchable, browsable by category and year, and always free. No paywall, no login. This PDF came from it.

Audio case-brief lectures.

Any decision becomes a podcast-style lecture - facts, issues, ruling, and doctrine - with read-along highlighting and a hands-free presentation mode. Study while commuting, working out, or resting your eyes.

Bar review built on the science of memory.

Complete, sequenced courses for all eight bar subjects, narrated like podcasts and reinforced with retrieval practice and spaced review - the study techniques with the strongest evidence behind them.

The full law-school curriculum.

One subscription unlocks the entire J.D. curriculum - every subject, every lesson, with your progress tracked down to the paragraph so you can pick up exactly where you left off, on any device.

Mock exams that tell you where you stand.

Timed multiple-choice exams graded instantly, with per-subject score breakdowns and focus suggestions that point you at your weakest topics first.

A study planner that keeps you on pace.

Set your schedule and BATAS tells you every day whether you are on track for bar day - and exactly which lesson to take next.

Start free at <https://batas.org>

The law library is free forever - and your first lesson is one click away.

The text of this document is an official public record and remains in the public domain. Formatting, presentation, and compilation © 2026 batas.org.

Downloaded free from the batas.org Law Library. Share it freely - the library is free for every law student, bar reviewee, and practitioner.