

JAIME D. ANG, PETITIONER, VS. COURT OF APPEALS AND BRUNO SOLEDAD, RESPONDENTS.*G.R. No. 177874. September 29, 2008*

Ponente: CARPIO MORALES, J.

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Under a "car-swapping" scheme, respondent Bruno Soledad (Soledad) sold his Mitsubishi GSR sedan 1982 model to petitioner Jaime Ang (Ang) by Deed of Absolute Sale[1] dated July 28, 1992. For his part, Ang conveyed to Soledad his Mitsubishi Lancer model 1988, also by Deed of Absolute Sale[2] of even date. As Ang's car was of a later model, Soledad paid him an additional P55,000.00.

Ang, a buyer and seller of used vehicles, later offered the Mitsubishi GSR for sale through Far Eastern Motors, a second-hand auto display center. The vehicle was eventually sold to a certain Paul Bugash (Bugash) for P225,000.00, by Deed of Absolute Sale[3] dated August 14, 1992. Before the deed could be registered in Bugash's name, however, the vehicle was seized by virtue of a writ of replevin[4] dated January 26, 1993 issued by the Cebu City Regional Trial Court (RTC), Branch 21 in Civil Case No. CEB-13503, "BA Finance Corporation vs. Ronaldo and Patricia Panes," on account of the alleged failure of Ronaldo Panes, the owner of the vehicle prior to Soledad, to pay the mortgage debt[5] constituted thereon.

To secure the release of the vehicle, Ang paid BA Finance the amount of P62,038.47[6] on March 23, 1993. Soledad refused to reimburse the said amount, despite repeated demands, drawing Ang to charge him for Estafa with abuse of confidence before the Office of the City Prosecutor, Cebu City. By Resolution[7] of July 15, 1993, the City Prosecutor's Office dismissed the complaint for insufficiency of evidence, drawing Ang to file on November 9, 1993 the first[8] of three successive complaints for damages against Soledad before the RTC of Cebu City where it was docketed as Civil Case No. Ceb-14883.

Branch 19 of the Cebu City RTC, by Order[9] dated May 4, 1995, dismissed Civil Case No. Ceb-14883 for failure to submit the controversy to barangay conciliation.

Ang thereafter secured a certification to file action and again filed a complaint for damages,[10] docketed as Ceb-17871, with the RTC of Cebu City, Branch 14 which dismissed it, by Order[11] dated March 27, 1996, on the ground that the amount involved is not within its jurisdiction.

Ang thereupon filed on July 15, 1996 with the Municipal Trial Court in Cities (MTCC) a complaint,[12] docketed as R-36630, the subject of the instant petition.

After trial, the MTCC dismissed the complaint on the ground of prescription, viz:

It appearing that the Deed of Sale to plaintiff o[f] subject vehicle was dated and executed on 28 July 1992, the complaint before the Barangay terminated 21 September 1995 per Certification to File Action attached to the Complaint, and this case eventually was filed with this Court on 15 July 1996, this action has already been barred since more than six (6) months elapsed from the delivery of the subject vehicle to the plaintiff buyer to

the filing of this action, pursuant to the aforequoted Article 1571."[13] (Emphasis and underscoring supplied)

His motion for reconsideration having been denied, Ang appealed to the RTC, Branch 7 of which affirmed the dismissal of the complaint, albeit it rendered judgment in favor of Ang "for the sake of justice and equity, and in consonance with the salutary principle of non-enrichment at another's expense." The RTC ratiocinated:

x x x x

[I]t was error for the Court to rely on Art. 1571 of the Civil Code to declare the action as having prescribed, since the action is not one for the enforcement of the warranty against hidden defects. Moreover, *Villostas vs. Court of Appeals* declared that the six-month prescriptive period for a redhibitory action applies only to implied warranties. There is here an express warranty. If at all, what applies is Art. 1144 of the Civil Code, the general law on prescription, which states, inter alia, that actions 'upon a written contract' prescribes in ten (10) years [*Engineering & Machinery Corporation vs. Court of Appeals*, G.R. No. 52267, January 24, 1996].

More appropriate to the discussion would be defendant's warranty against eviction, which he explicitly made in the Deed of Absolute Sale: I hereby covenant my absolute ownership to (sic) the above-described property and the same is free from all liens and encumbrances and I will defend the same from all claims or any claim whatsoever..."

Still the Court finds that plaintiff cannot recover under this warranty. There is no showing of compliance with the requisites.

x x x x

Nonetheless, for the sake of justice and equity, and in consonance with the salutary principle of non-enrichment at another's expense, defendant should reimburse plaintiff the P62,038.47 which on March 23, 1993 he paid BA Finance Corporation to release the mortgage on the car. (Emphasis and underscoring supplied)[14]

The RTC thus disposed as follows:

Wherefore, judgment is rendered directing defendant to pay plaintiff P62,038.47, the amount the latter paid BA Finance Corporation to release the mortgage on the vehicle, with interest at the legal rate computed from March 23, 1993. Except for this, the judgment in the decision of the trial court, dated October 8, 2001 dismissing the claims of plaintiff is affirmed." (Underscoring supplied)[15]

Soledad's Motion for Reconsideration was denied by Order[16] of December 12, 2002, hence, he elevated the case to the Court of Appeals, Cebu City.

The appellate court, by the challenged Decision[17] of August 30, 2006, noting the sole issue to be resolved whether the RTC erred in directing Soledad to pay Ang the amount the latter paid to BA Finance plus legal interest, held that, following *Goodyear Phil., Inc. v. Anthony Sy*,[18] Ang "cannot anymore seek refuge under the Civil Code provisions granting award of damages for breach of warranty against eviction for the simple fact that three years and ten months have lapsed from the execution of the deed of sale in his favor prior to the filing of the instant complaint." It further held:

It bears to stress that the deed of absolute sale was executed on July 28, 1992, and the instant complaint dated May 15, 1996 was received by the MTCC on July 15, 1996.

While it is true that someone unjustly enriched himself at the expense of herein respondent, we agree with petitioner (Soledad) that it is not he.

The appellate court accordingly reversed the RTC decision and denied the petition.

By Resolution[19] of April 25, 2007, the appellate court denied Ang's motion for reconsideration, it further noting that when Ang settled the mortgage debt to BA Finance, he did so voluntarily in order to resell the vehicle, hence, Soledad did not benefit from it as he was unaware of the mortgage constituted on the vehicle by the previous owner.

The appellate court went on to hold that Soledad "has nothing to do with the transaction anymore; his obligation ended when he delivered the subject vehicle to the respondent upon the perfection of the contract of sale." And it reiterated its ruling that the action, being one arising from breach of warranty, had prescribed, it having been filed beyond the 6-month prescriptive period.

The appellate court brushed aside Ang's contention that Soledad was the proximate cause of the loss due to the latter's failure to thoroughly examine and verify the registration and ownership of the previous owner of the vehicle, given that Ang is engaged in the business of buying and selling second-hand vehicles and is therefore expected to be cautious in protecting his rights under the circumstances.

Hence, the present recourse - petition for review on certiorari, Ang maintaining that his cause of action had not yet prescribed when he filed the complaint and he should not be blamed for paying the mortgage debt.

To Ang, the ruling in *Goodyear v. Sy* is not applicable to this case, there being an express warranty in the herein subject Deed of Absolute Sale and, therefore, the action based thereon prescribes in ten (10) years following *Engineering & Machinery Corp. v. CA*[20] which held that where there is an express warranty in the contract, the prescriptive period is the one specified in the contract or, in the absence thereof, the general rule on rescission of contract.

Ang likewise maintains that he should not be blamed for paying BA Finance and should thus be entitled to reimbursement and damages for, following *Carrascoso, Jr. v. Court of Appeals*,[21] in case of breach of an express warranty, the seller is liable for damages provided that certain requisites are met which he insists are present in the case at bar.

The resolution of the sole issue of whether the complaint had prescribed hinges on a determination of what kind of warranty is provided in the Deed of Absolute Sale subject of the present case.

A warranty is a statement or representation made by the seller of goods, contemporaneously and as part of the contract of sale, having reference to the character, quality or title of the goods, and by which he promises or undertakes to insure that certain facts are or shall be as he then represents them.[22]

Warranties by the seller may be express or implied. Art. 1546 of the Civil Code defines express warranty as follows:

"Art. 1546. Any affirmation of fact or any promise by the seller relating to the thing is an express warranty if the natural tendency of such affirmation or promise is to induce the buyer to purchase the same, and if the buyer purchases the thing relying thereon. No affirmation of the value of the thing, nor any statement purporting to be a statement of the seller's opinion only, shall be construed as a warranty, unless the seller made such affirmation or statement as an expert and it was relied upon by the buyer." (Emphasis and underscoring supplied)

On the other hand, an implied warranty is that which the law derives by application or inference from the nature of the transaction or the relative situation or circumstances of the parties, irrespective of any intention of the seller to create it.[23] Among the implied warranty provisions of the Civil Code are: as to the seller's title (Art. 1548), against hidden defects and encumbrances (Art. 1561), as to fitness or merchantability (Art. 1562), and against eviction (Art. 1548).

The earlier cited ruling in *Engineering & Machinery Corp.* states that "the prescriptive period for instituting actions based on a breach of express warranty is that specified in the contract, and in the absence of such period, the general rule on rescission of contract, which is four years (Article 1389, Civil Code)."

As for actions based on breach of implied warranty, the prescriptive period is, under Art. 1571 (warranty against hidden defects of or encumbrances upon the thing sold) and Art. 1548 (warranty against eviction), six months from the date of delivery of the thing sold.

The following provision of the Deed of Absolute Sale reflecting the kind of warranty made by Soledad reads:

x x x x

I hereby covenant my absolute ownership to (sic) the above-described property and the same is free from all liens and encumbrances and I will defend the same from all claims or any claim whatsoever; will save the vendee from any suit by the government of the Republic of the Philippines.

x x x x (Emphasis supplied)

In declaring that he owned and had clean title to the vehicle at the time the Deed of Absolute Sale was forged, Soledad gave an implied warranty of title. In pledging that he "will defend the same from all claims or any claim whatsoever [and] will save the vendee from any suit by the government of the Republic of the Philippines," Soledad gave a warranty against eviction.

Given Ang's business of buying and selling used vehicles, he could not have merely relied on Soledad's affirmation that the car was free from liens and encumbrances. He was expected to have thoroughly verified the car's registration and related documents.

Since what Soledad, as seller, gave was an implied warranty, the prescriptive period to file a breach thereof is six months after the delivery of the vehicle, following Art. 1571. But even if the date of filing of the action is reckoned from the date petitioner instituted his first complaint for damages on November 9, 1993, and not on July 15, 1996 when he filed the complaint subject of the present petition, the action just the same had prescribed, it having been filed 16 months after July 28, 1992, the date of delivery of the vehicle.

On the merits of his complaint for damages, even if Ang invokes breach of warranty against eviction as inferred from the second part of the earlier-quoted provision of the Deed of Absolute Sale, the following essential requisites for such breach, viz:

"A breach of this warranty requires the concurrence of the following circumstances:

- (1) The purchaser has been deprived of the whole or part of the thing sold;
- (2) This eviction is by a final judgment;
- (3) The basis thereof is by virtue of a right prior to the sale made by the vendor; and
- (4) The vendor has been summoned and made co-defendant in the suit for eviction at the instance of the vendee.

In the absence of these requisites, a breach of the warranty against eviction under Article 1547 cannot be declared." [24] (Emphasis supplied),

have not been met. For one, there is no judgment which deprived Ang of the vehicle. For another, there was no suit for eviction in which Soledad as seller was impleaded as co-defendant at the instance of the vendee.

Finally, even under the principle of *solutio indebiti* which the RTC applied, Ang cannot recover from Soledad the

amount he paid BA Finance. For, as the appellate court observed, Ang settled the mortgage debt on his own volition under the supposition that he would resell the car. It turned out that he did pay BA Finance in order to avoid returning the payment made by the ultimate buyer Bugash. It need not be stressed that Soledad did not benefit from Ang's paying BA Finance, he not being the one who mortgaged the vehicle, hence, did not benefit from the proceeds thereof.

WHEREFORE, the petition is, in light of the foregoing disquisition, DENIED.

SO ORDERED.

Quisumbing, (Chairperson), Tinga, Velasco, Jr., and Brion, JJ., concur.

[1]Exhibit "C," records, p. 86.

[2]Exhibit "2," id. at 136.

[3]Exhibit "D," id. at 87.

[4] Exhibit "J," id. at 94.

[5] See Chattel Mortgage, Exhibit "E," id. at 88.

[6] Exhibit "G," id. at 91.

[7] Exhibit "4," id. at 138-141.

[8] Annex "A," CA rollo, pp. 38-41.

[9] Annex "C," id. at 49; penned by Judge Ramon G. Codilla, Jr.

[10]Annex "D," id. at 50-53.

[11]Annex "G," id. at 66-67; penned by Judge Renato C. Dacudao.

[12]Annex "H," id. at 68-72.

[13] Annex "J," id. at 87; penned by Judge Edgemelo C. Rosales

[14] Annex "K," id. at 90-91; penned by Judge Simeon Dumdum, Jr.

[15] Id. at 91-92.

[16] Annex "M," id. at 99-100.

[17] Id. at 169-177; penned by Associate Justice Marlene Gonzales-Sison, with the concurrence of Associate Justices Arsenio J. Magpale and Agustin S. Dizon.

[18] G.R. No. 154554, November 9, 2005, 474 SCRA 427.

[19] Annex "C," CA rollo, pp. 206-209. Penned by Associate Justice Stephen C. Cruz and concurred in by Executive Justice Arsenio J. Magpale and Associate Justice Agustin S. Dizon.

[20]G.R. No. 52267, January 24, 1996, 252 SCRA 156.

[21] G.R. Nos. 123672 & 164489, December 14, 2005, 477 SCRA 666.

[22]DE LEON, COMMENTS AND CASES ON SALES 299 (2000).

[23]Id. at 304.

[24] Power Commercial and Industrial Corp. v. CA, et al., G.R. No. 119745, June 20, 1997, 274 SCRA 597, 600.

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