

JOSE MIGUEL ANTON, PETITIONER, VS. SPOUSES ERNESTO OLIVA AND CORAZON OLIVA AS SUBSTITUTED BY HER LEGAL HEIRS, NAMELY: GRAZIELA MARIE COLLANTES, GRETTEL ELAINE DING, GLADYS MIRIAM...

G.R. No. 182563. April 11, 2011

Ponente: ABAD, J.

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ABAD, J.:

This case is about the obligation to continue complying with the terms of the agreement despite the court's declaration that no partnership exist between the parties.

The Facts and the Case

On September 9, 2008 respondents Ernesto and Corazon Oliva[1] (the Olivas) filed an action for accounting and specific performance with damages against petitioner spouses Jose Miguel and Gladys Miriam Anton (the Antons) before the Regional Trial Court (RTC) of Quezon City.[2] The Olivas alleged that they entered into three Memoranda of Agreement (MOA)[3] with Gladys Miriam, their daughter, and Jose Miguel, their son-in-law, setting up a business partnership covering three fast food stores, known as "Pinoy Toppings" that were to be established at SM Megamall, SM Cubao, and SM Southmall. Under the MOAs, the Olivas were entitled to 30% share of the net profits of the SM Megamall store and 20% in the cases of SM Cubao and SM Southmall stores.

The pertinent portions of the first MOA dated May 2, 1992, covering the SM Megamall store, provides:

- That the FIRST PARTY[4] shall be considered a partner with a THIRTY PERCENT (30%) share in the above-mentioned outlet to be set up by the SECOND PARTY;[5]
- That the proceeds of said business, after deducting the expenses, shall be used to pay the principal amount of ₱500,000.00 and the interest therein which is to be computed based on the bank rate since the FIRST PARTY secured the above amount through a bank loan;
- That the net profits, if any, after deducting the expenses and payments of the principal and interest shall be divided in a seventy percent (70%) for the SECOND PARTY and thirty percent (30%) to the FIRST PARTY;
- That the SECOND PARTY, particularly JOSE MIGUEL ANTON, shall have a free hand in running the above-described business without any interference from his partners, their agents, representatives, or assigns and should such interference happens, the SECOND PARTY has the right to buy back the share of the FIRST PARTY less the amounts already paid on the principal and to dissolve the partnership agreement. In case the above amount together with its corresponding interest had been fully paid and said interference shall take place, the SECOND PARTY shall also be entitled to dissolve the partnership agreement;
- That the parties agree to strictly comply with the terms and conditions of this agreement

The pertinent terms of the second MOA dated May 6, 1993, covering the SM Cubao store, reads:

- That the First Party shall be considered a partner with a 20% share in the above-mentioned outlet to be set up by the Second Party;
- That the proceeds of said business, after deducting the expenses, will be used to pay the principal amount of P240,000.00 and the interest therein which is to be computed based on the RCBC rate;
- That the net proceeds, if any, after deducting the expenses and payments of the principal and interest shall be divided on an eighty-twenty basis;
- That the Second Party, particularly JOSE MIGUEL ANTON, shall have a free hand in running the above-described establishment without any interference from his partners.
- That the Second Party, particularly JOSE MIGUEL ANTON shall submit his monthly sales report in connection with the above-mentioned business to his partners.

The pertinent portions of the third MOA dated April 20, 1995, covering the SM Southmall Branch, has essentially the same terms, thus:

- That the First Party shall be considered a partner with a twenty (20%) percent share in the above-mentioned outlet to be set up by the Second Party;
- That the proceeds of said business, after deducting the expenses, will be used to pay the principal amount of P300,000.00;
- That the net profits, if any, after deducting the expenses and payments of the principal and interest shall be divided on a eighty-twenty percent;
- That the Second Party, particularly JOSE MIGUEL ANTON, shall have a free hand in running the above-described business without any interference from his partners;
- That the Second Party-, particularly JOSE MIGUEL ANTON shall submit his monthly sales report in connection with the above business.

The Olivas alleged that while the Antons gave them a total of P2,547,000.00 representing their monthly shares of the net profits from the operations of the SM Megamall and SM Southmall stores, the Antons did not give them their shares of the net profits from the store at SM Cubao. Further, Jose Miguel did not render to them an account of the operations of the three stores. And, beginning November 1997, the Antons altogether stopped giving the Olivas their share in the net profits of the three stores. The Olivas demanded an accounting of partnership funds but, in response, Jose Miguel terminated their partnership agreements.

Answering the complaint, Jose Miguel alleged that he and his wife, Gladys Miriam, never partnered with the Olivas in the operations of the three stores. The Antons merely borrowed money from the Olivas to finance the opening of those stores. Gladys Miriam, who managed the operations of the business, remitted to the Olivas the amounts due them even after the loans had been paid. If any accounting was needed, it should orily be for the purpose of ascertaining the correctness the payments made.

On Gladys Miriam's part, she affirmed having managed the three stores up until she and Jose Miguel separated. They paid the Olivas in checks, representing their share in the profits of the business. Gladys Miriam filed a case for legal separation against her husband, Jose Miguel, prompting the latter to terminate their business partnership with her parents.

On October 17, 2003 the RTC rendered judgment,[6] holding that no partnership relation existed between the Olivas and the Antons but Jose Miguel had an obligation to render an accounting from the start of the business until the termination of their MOAs and, thereafter, pay the Olivas their share of the net profits, if any, plus

interests.

Jose Miguel appealed the RTC decision to the Court of Appeals (CA) in CA-G.R. CV 85521.[7] On November 22, 2007 the CA rendered a decision, essentially affirming the RTC finding that no partnership existed between the parties. But the CA modified the RTC decision and a) deleted the RTC order that directed the Antons to get an independent accountant, approved by the Olivas, to do an accounting of the operations of the three stores; b) directed the Antons to pay the Olivas the P240,000.00 loan in connection with the third MOA as well as their share in the net profits of the three stores from November 1997 to the present, with legal interest until the same shall have been paid in full; and c) ordered the Antons to furnish the Olivas copies of the monthly sales reports of the stores at SM Southmall and SM Cubao as provided in the May 6, 1993 and April 20, 1995 MOAs, from November 1997 to the present.

The Key Issue Presented

The key issue in this case is whether or not the CA erred in holding that, notwithstanding the absence of a partnership between the Olivas and the Antons, the latter have the obligation to pay the former their shares of the net profits of the three stores plus legal interest on those shares until they have been paid. Ruling of the Court

To begin with, the Court will not disturb the finding of both the RTC and the CA that, based on the terms of the MOAs and the circumstances surrounding its implementation, the relationship between the Olivas and the Antons was one of creditor-debtor, not of partnership. The finding is sound since, although the MOA denominated the Olivas as "partners," the amounts they gave did not appear to be capital contributions to the establishment of the stores. Indeed, the stores had to pay the amounts back with interests.

Moreover, the MOAs forbade the Olivas from interfering with the running of the stores. At any rate, none of the parties has made an issue of the common finding of the courts below respecting the nature of their relationship.

Petitioner Jose Miguel points out that since the Olivas were not the Antons' partners in the stores, they were not entitled to receive percentage shares of the net profits from the stores' operations.

But, as the CA correctly held, although the Olivas were mere creditors, not partners, the Antons agreed to compensate them for the risks they had taken. The Olivas gave the loans with no security and they were to be paid such loans only if the stores made profits. Had the business suffered losses and could not pay what it owed, the Olivas would have ultimately assumed those losses just by themselves. Still there was nothing illegal or immoral about this compensation scheme. Thus, unless the MOAs are subsequently rescinded on valid grounds or the parties mutually terminate them, the same remain valid and enforceable.

It did not matter that the Antons had already paid for two of the loans and their interests. Their obligation to share net profits with the Olivas was not extinguished by such payment. Indeed, the Antons paid the Olivas their share of the profits from two stores although the loans corresponding to them had in the meantime been paid. Only after Jose Miguel's marital relation with Gladys Miriam turned sour in November 1997 did he cease to pay the Olivas their shares of the profits.

The CA also correctly ruled that, since the Olivas were mere creditors, not partners, they had no right to demand that the Antons make an accounting of the money loaned out to them. Still, the Olivas were entitled to know from the Antons how much net profits the three stores were making annually since the Olivas were entitled to certain percentages of those profits. Indeed, the third and second MOA directed the Antons to provide the Olivas with copies of the monthly sales reports from the operations of the stores involved, apparently to enable them to know how much were due them. There is no reason why the Antons should not furnish the Olivas copies of similar reports from the operations of the store at SM Megamall, this merely being a consequence of the Antons'

obligation to share with the Olivas the net profits from that store.

Jose Miguel also complains that the CA had no basis in awarding interest on the third loan covering the establishment of the SM SouthAall store since the particular MOA did not provide for such interest. But, actually, the interests that the CA awarded to the Olivas referred, not to interests on the loans they gave, but to interest that their unpaid shares of the net profits of the three stores should earn on account of Jose Miguel's unjustified refusal to pay them beginning November 1997.

Given that the legal interests that the CA directed the Antons to pay referred to the Olivas' unpaid shares of the net profits of the three stores from November 1997, such interests cannot be regarded as forbearance for money that warrants an interest of 12% per annum. Rather, they were for unjust withholding of the Olivas' shares of the net profits from the Antons' three stores that would warrant an interest of 6% per annum.

WHEREFORE, the Court DENIES the petition and AFFIRMS the decision dated November 22, 2007 of the Court of Appeals in CA-G.R. CV 85521 with the following MODIFICATIONS:

1. The legal interest that petitioner Jose Miguel Anton shall pay respondent Ernesto Oliva and the substituted heirs of respondent Corazon Oliva on their unpaid shares in the net profits of the "Pinoy Toppings" stores at SM Southmall, SM Megamall, and SM Cubao shall be computed at the rate of 6% per annum; and
2. Petitioner Jose Miguel Anton is to furnish respondent Ernesto Oliva and the substituted legal heirs of respondent Corazon Oliva copies of the monthly sales reports of all three "Pinoy Toppings" stores at SM Southmall, SM Cubao, and SM Megamall from November 1997 until the proper termination of their Memoranda of Agreement dated May 2, 1992, May 6, 1993, and April 20, 1995.

SO ORDERED.

Carpio, (Chairperson), Nachura, Peralta, and Mendoza, JJ., concur.

[1] Now substituted by their legal heirs Graziela Marie Collantes, Gretel Elaine Ding, Gladys Miriam Oliva, Geoffrey Joseph Oliva and Glynnis Carmen Calpotura.

[2] Docketed as Civil Case Q-98-35456.

[3] Respectively dated May 2, 1992; May 6, 1993; and April 20, 1995.

[4] Spouses Ernesto and Corazon Oliva.

[5] Spouses Jose Miguel Anton and Gladys Miriam Anton.

[6] Decision, pp. 925-932, RTC records.

[7] Rollo, pp. 34-46.

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