

**INSULAR INVESTMENT AND TRUST CORPORATION, PETITIONER, VS.
CAPITAL ONE EQUITIES CORP. (NOW KNOWN AS CAPITAL ONE
HOLDINGS CORP.) AND PLANTERS DEVELOPMENT BANK,
RESPONDENTS.**

G.R. No. 183308. April 25, 2012

Ponente: MENDOZA, J.

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MENDOZA, J.:

This is a petition for review on certiorari under Rule 45 of the 1997 Revised Rules of Civil Procedure assailing the June 6, 2008 Decision[1] of the Court of Appeals (CA) in C.A.-G.R. CV No. 79320 entitled “Insular Investment and Trust Corporation v. Capital One Equities Corporation (now known as Capital One Holdings Corporation) and Planters Development Bank.”

THE FACTS

Based on the records of the case and on the September 2, 1999 Partial Stipulation of Facts and Documents[2] (the Partial Stipulation) agreed upon by the parties, the facts are as follows:

Petitioner Insular Investment and Trust Corporation (IITC) and respondents Capital One Equities Corporation (COEC) and Planters Development Bank (PDB) are regularly engaged in the trading, sale and purchase of Philippine treasury bills.

On various dates in 1994, IITC purchased from COEC treasury bills with an aggregate face value of P260,683,392.51 (the IITC T-Bills), as evidenced by the confirmations of purchase issued by IITC. The purchase price for the said treasury bills were fully paid by IITC to COEC which was able to deliver P121,050,000.00 worth of treasury bills to IITC.

On May 2, 1994, COEC purchased treasury bills with a face value of P186,774,739.49 (the COEC T-Bills). IITC issued confirmations of sale in favor of COEC covering the said transaction. COEC paid the purchase price by issuing the following checks:

Check No.

Payee

Amount

(1) City Trust Manager’s Check No. 001180

Planters Development Bank

P154,802,341.59

(2) UCPB-Ayala Manager’s Check No. AYLO43841

Planters Development Bank

P16,975,883.89

(3) UCPB-Ayala Manager's Check No. AYLO43840

Planters Development Bank

P10,413,043.78

(4) UCPB-Ayala Check No. AYL213346

Insular Investment and Trust Corporation

P24,116.11

Both IITC and PDB received the proceeds of the checks.

On May 2, 1994, PDB issued confirmations of sale in favor of IITC for the sale of treasury bills and IITC, in turn, issued confirmations of purchase in favor of PDB over treasury bills with a total face value of P186,790,000.00.

Thereafter, PDB sent a letter[3] dated May 4, 1994 to IITC undertaking to deliver treasury bills worth P186,790,000.00, which IITC purchased from PDB on May 2, 1994, as soon as they would be available.

On May 10, 1994, COEC wrote a letter to IITC demanding the physical delivery of the treasury bills which the former purchased from the latter on May 2, 1994.

In its May 18, 1994 Letter[4] to PDB, IITC requested, on behalf of COEC, the delivery to IITC of treasury bills worth P186,790,000.00 which had been paid in full by COEC. COEC was furnished with a copy of the said letter.

On May 30, 1994, COEC protested the tenor of IITC's letter to PDB and took exception to IITC's assertion that it merely acted as a facilitator with regard to the sale of the treasury bills.

IITC sent COEC a letter[5] dated June 3, 1994, demanding that COEC deliver to it (IITC) the P139,833,392.00 worth of treasury bills or return the full purchase price. In either case, it also demanded that COEC (1) pay IITC the amount of P1,729,069.50 representing business opportunity lost due to the non-delivery of the treasury bills, and (2) deliver treasury bills worth P121,050,000 with the same maturity dates originally purchased by IITC.

COEC sent a letter-reply[6] dated June 9, 1994 to IITC in which it acknowledged its obligation to deliver the treasury bills worth P139,833,392.00[7] which it sold to IITC and formally demanded the delivery of the treasury bills worth P186,774,739.49 which it purchased from IITC. COEC also demanded the payment of lost profits in the amount of P3,253,250.00. Considering that COEC and IITC both have claims against each other for the delivery of treasury bills, COEC proposed that a legal set-off be effected, which would result in IITC owing COEC the difference of P46,941,446.49.

In its June 13, 1994 letter to COEC, IITC rejected the suggestion for a legal setting-off of obligations, alleging that it merely acted as a facilitator between PDB and COEC.

On June 27, 1994, COEC replied to IITC's letter, reiterating its demand and its position stated in its June 9, 1994 letter.

On July 1, 1994, IITC, COEC and PDB entered into a Tripartite Agreement[8] (the Tripartite Agreement) wherein PDB assigned to IITC, which in turn assigned to COEC, Central Bank Bills with a total face value of P50,000,000.00. These assignments were made in consideration of (a) IITC relinquishing all its rights to claim delivery under the confirmation of sale issued by PDB to IITC to the extent of P50,000,000.00 (face value) and

(b) COEC relinquishing all its rights to claim delivery of the COEC T-Bills under the IITC confirmations of sale to COEC to the extent of P50,000,000.00 (face value).

On the same day, COEC and IITC entered into an Agreement[9] (the COEC-IITC Agreement) whereby COEC reassigned to IITC the Central Bank bills subject of the Tripartite Agreement to the extent of P20,000,000.00 in consideration of which IITC relinquished all its rights to claim from COEC the IITC T-Bills covered by the COEC confirmation of sale to the extent of an aggregate P20,000,000.00 face value.

Despite repeated demands, however, PDB failed to deliver the balance of P136,790,000.00 worth of treasury bills which IITC purchased from PDB allegedly for COEC. COEC was likewise unable to deliver the remaining IITC T-Bills amounting to P119,633,392.00. Neither PDB and COEC returned the purchase price for the duly paid treasury bills.[10]

This prompted IITC to file the Amended Complaint[11] dated March 20, 1995 before the Regional Trial Court, Branch 138, Makati City (RTC), praying that COEC be ordered to deliver treasury bills worth P119,633,392.00 to IITC or pay the monetary equivalent plus legal interests; and, in the alternative, that PDB be ordered to comply with its obligations under the conduit transaction involving treasury bills worth P136,790,000.00 by delivering the treasury bills to IITC, in addition to actual and exemplary damages and attorney's fees.

COEC filed its Answer to Amended Complaint[12] dated April 10, 1995, admitting that it owed IITC treasury bills worth P119,633,392.00. It countered, however, that IITC had an outstanding obligation to deliver to COEC treasury bills worth P136,774,739.49.[13] COEC prayed that IITC be required to deliver P17,141,347.49 (the amount IITC still owed COEC after a legal off-setting of their debts against each other) to COEC in addition to moral and exemplary damages and attorney's fees.[14]

PDB, for its part, insisted in its Answer Ad Cautelam[15] that it had no knowledge or participation in the sale by IITC of treasury bills to COEC. It admitted that it sent a letter dated May 4, 1994 to IITC, undertaking to deliver treasury bills worth P186,790,000.00 which IITC purchased from PDB. PDB posited, however, that IITC was not entitled to the delivery of the said treasury bills because IITC did not remit payment to PDB. Neither did the subject securities become available to PDB.

In its Judgment[16] dated June 16, 2003, the RTC found that COEC still owed IITC P119,633,392.00 worth of treasury bills, pursuant to their transaction in early 1994. As regards the sale of treasury bills by IITC to COEC, however, the RTC determined that IITC was not merely a conduit in the purchase a sale of treasury bills between PDB and COEC. Rather, IITC acted as a principal in two transactions: as a buyer of treasury bills from PDB and as a seller to COEC. Taking into consideration the Tripartite Agreement, IITC was still liable to pay COEC the sum of P136,790,000.00. Since IITC and COEC were both debtors and creditors of each other, the RTC off-set their debts, resulting in a difference of P17,056,608.00 in favor of COEC. As to PDB's liability, it ruled that PDB had the obligation to pay P136,790,000.00 to IITC. Thus, the trial court ordered (a) IITC to pay COEC P17,056,608.00 with interest at the rate of 6% from June 10, 1994 until full payment and (b) PDB to pay IITC P136,790,000.00 with interest at the rate of 6% from March 21, 1995 until full payment.

Aggrieved, all parties appealed to the CA which promulgated its decision on June 6, 2008. The CA affirmed the RTC finding that IITC was not a mere conduit but rather a direct seller to COEC of the treasury bills.[17] The CA, however, absolved PDB from any liability, ruling that because PDB was not involved in the transactions between IITC and COEC, IITC should have alleged and proved that PDB sold treasury bills to IITC.[18] Moreover, PDB only undertook to deliver treasury bills worth P186,790,000.00 to IITC "as soon as they are available." [19] But, the said treasury bills did not become available. Neither did IITC remit payment to PDB. As such, PDB incurred no obligation to deliver P186,790,000.00 worth of treasury bills to IITC.

Hence, this petition.

THE ISSUES

IITC raises the following grounds for the grant of its petition:

- A. The petition is not dismissible. The issue of whether IITC acted as a conduit is a question of law. Assuming for the sake of argument that the petition involves questions of fact, the Supreme Court may take cognizance of the petition under exceptional circumstances.
- B. The Court of Appeals gravely erred and acted contrary to law and jurisprudence and the evidence on record in holding that IITC did not act as a conduit of Capital One and Plantersbank in the 2 May 1994 sale of COEC T-bills.
- C. The Court of Appeals erred and acted contrary to law and the evidence on record in ruling that Plantersbank did not have any obligation to delivery the COEC T-Bills to IITC under IITC's alternative cause of action.
- D. The Court of Appeals erred and acted contrary to law in holding that Capital One could validly set off its claims for the undelivered COEC T-Bills against the fully paid IITC T-Bills.
- E. The Court of Appeals further erred and acted contrary to law in holding that Capital One and Plantersbank were not guilty of fraud.
- F. The Court of Appeals violated IITC's right to due process in affirming, without citing any basis whatsoever, the erroneous holding of the trial court that there was insufficient evidence to prove the actual and consequential damages sustained by IITC.[20]

COEC puts forth the following issues:

Whether the Court of Appeals correctly held that IITC did not act as a conduit of Capital One and Plantersbank in the May 2, 1994 sale of the COEC T-Bills by IITC to Capital One.

Whether the Court of Appeals correctly held that Capital One may validly set off its claim for the undelivered COEC T-Bills against the balance of the IITC T-Bills.

Whether the Court of Appeals correctly affirmed the holding of the trial court that Capital One and Plantersbank are not guilty of fraud.

Whether the Petition raises questions of fact, and whether it is defective.

Whether Capital One is entitled to the correction of the mathematical error in the computation of the money judgment in its favor.[21]

For its part, PDB identifies the principal issue to be "whether it was obliged to deliver to petitioner Insular the treasury bills which the latter sold, as principal, to Capital One, and/or pay the value thereof." [22] The following are stated as corollary issues:

Whether petitioner Insular was acting as "facilitator" or "conduit" in the May 2, 1994 sales of the treasury bills;

Whether petitioner Insular may raise in this petition the issue of it being merely as "facilitator" or "conduit" after the Trial Court and Court of Appeals found that petitioner Insular was not a "facilitator" or "conduit."

Whether respondents Plantersbank and Capital One were guilty of fraud in their transactions with petitioner Insular.

Whether petitioner Insular was entitled to actual and consequential damages.[23]

The numerous issues can be simplified as follows:

(1)

Whether IITC acted as a conduit in the transaction between COEC and PDB;

(2)

Whether COEC can set-off its obligation to IITC as against the latter's obligation to it; and

(3)

Whether PDB has the obligation to deliver treasury bills to IITC.

THE COURT'S RULING

The petition is partly meritorious.

Question of fact;

IITC did not act as conduit

Petitioner IITC insists that the issue of whether it acted as a conduit is a question of law which can properly be the subject of a petition for review before this Court. Because the parties already entered into a stipulation of facts and documents, the facts are no longer at issue; rather, the court must now determine the applicable law based on the admitted facts, thereby making it a question of law. Even assuming that the determination of IITC's role in the two transactions is a pure question of fact, it falls under the exceptions when the Court may decide to review a question of fact.[24]

Respondent COEC, on the other hand, argues that IITC raises questions of fact. An issue is one of fact when: (a) there is a doubt or difference as to the truth or falsehood of the alleged facts, (b) the issues raised invite a calibration, assessment, re-examination and re-evaluation of the evidence presented, (c) it questions the probative value of evidence presented or the proofs presented by one party are clear, convincing and adequate. Because the question of whether IITC was merely a conduit satisfies all the conditions enumerated, then it is a question of fact which this Court cannot pass upon. In addition, COEC calls attention to the principle that findings of fact of the trial court, especially when approved by the Court of Appeals, are binding and conclusive on the Supreme Court.[25]

PDB also maintains that the finding of the RTC that IITC did not act as a conduit between PDB and COEC was supported by substantial evidence and was sustained by the CA. Thus, it is already binding and conclusive upon this Court, whose jurisdiction is limited to reviewing only errors of law and not of fact.[26]

Respondents are correct.

The issue raised by IITC is factual in nature as it requires the Court to delve into the records and review the evidence presented by the parties to determine the validity of the findings of both the RTC and the CA as to IITC's role in the transactions in question. These are purely factual issues which this Court cannot review.[27] Well-established is the principle that factual findings of the trial court, when adopted and confirmed by the Court of Appeals, are binding and conclusive on this Court and will generally not be reviewed on appeal.[28]

As discussed in *The Insular Life Assurance Company, Ltd. v. Court of Appeals*:[29]

It is a settled rule that in the exercise of the Supreme Court's power of review, the Court is not a trier of facts and does not normally undertake the re-examination of the evidence presented by the contending parties during the trial of the case considering that the findings of facts of the CA are conclusive and binding on the Court.

However, the Court had recognized several exceptions to this rule, to wit: (1) when the findings are grounded entirely on speculation, surmises or conjectures; (2) when the inference made is manifestly mistaken, absurd or impossible; (3) when there is grave abuse of discretion; (4) when the judgment is based on a misapprehension of facts; (5) when the findings of facts are conflicting; (6) when in making its findings the Court of Appeals went beyond the issues of the case, or its findings are contrary to the admissions of both the appellant and the appellee; (7) when the findings are contrary to the trial court; (8) when the findings are conclusions without citation of specific evidence on which they are based; (9) when the facts set forth in the petition as well as in the petitioner's main and reply briefs are not disputed by the respondent; (10) when the findings of fact are premised on the supposed absence of evidence and contradicted by the evidence on record; and (11) when the Court of Appeals manifestly overlooked certain relevant facts not disputed by the parties, which, if properly considered, would justify a different conclusion.[30]

Contrary to IITC's claim, the circumstances surrounding the case at bench do not justify the application of any of the exceptions. At any rate, even if the Court would be willing to disregard this time-honored principle, the inevitable conclusion would be the same as that made by the RTC and the CA – that IITC did not act as a conduit but rather as a principal in two separate transactions, one as the purchaser of treasury bills from PDB and, in another, as the seller of treasury bills to COEC.

The evidence against IITC cannot be denied.

The confirmations of sale issued by IITC to COEC unmistakably show that the former, as principal, sold the treasury bills to the latter:[31]

Gentlemen:

As principal, we confirm having sold to you on a without recourse basis the following securities against which you shall pay us clearing funds on value date.

IITC's confirmations of purchase to PDB likewise reflect that it acted as the principal in the transaction:[32]

Gentlemen:

As principal, we confirm having purchased from you on a without recourse basis the following securities against which we shall pay you clearing funds on value date.

There is nothing in these documents which mentions that IITC merely acted as a conduit in the sale and purchase of treasury bills between PDB and COEC. On the contrary, the confirmations of sale and of purchase all clearly and expressly indicate that IITC acted as a principal seller to COEC and as a principal buyer from PDB.

IITC then tries to shift the blame to PDB and COEC by alleging that it was the two parties which conceptualized the two-step or conduit transaction and dictated the documents to be used. As such, they cannot be allowed to "take advantage of the ambiguity created by the documentation which it, in conspiracy with Plantersbank, concocted to render IITC, an innocent party, liable." [33]

This argument is far-fetched and borders on the incredible. At the outset, it should be pointed out that there is no ambiguity whatsoever in the language of the documents used. The confirmations of sale and purchase unequivocally state that IITC acted as a principal buyer and seller of treasury bills. The language used is as clear as day and cannot be more explicit. Thus, because the words of the documents in question are clear and readily understandable by any ordinary reader, there is no need for the interpretation or construction thereof.[34] This was emphasized in the case of *Pichel v. Alonzo*: [35]

Xxx. To begin with, We agree with petitioner that construction or interpretation of the document in question is not called for. A perusal of the deed fails to disclose any ambiguity or obscurity in its provisions, nor is there

doubt as to the real intention of the contracting parties. The terms of the agreement are clear and unequivocal, hence the literal and plain meaning thereof should be observed. Such is the mandate of the Civil Code of the Philippines which provides that:

“Art. 1370. If the terms of a contract are clear and leave no doubt upon the intention of the contracting parties, the literal meaning of its stipulation shall control...”

Pursuant to the aforequoted legal provision, the first and fundamental duty of the courts is the application of the contract according to its express terms, interpretation being resorted to only when such literal application is impossible.[36] (Emphases supplied)

COEC and PDB did not take advantage of any vagueness in the documents in question. They only seek to enforce the intention of the parties, in accordance with the terms of the confirmations of sale and purchase voluntarily entered into by the parties.

The Court also finds it hard to believe that an entity would carelessly and imprudently expose itself to liability in the amount of millions of pesos by failing to ensure that the documents used in the transaction would be a faithful account of its true nature. It is important to note that the confirmations of sale were issued by IITC itself using its own documents. Therefore, it defies imagination how COEC and PDB could have foisted off these forms on IITC against its will.

In addition, a comparison of the confirmations of sale issued by IITC in favor of COEC as against the confirmations of sale issued by PDB in favor of IITC indicates that there is a difference in the interest rates of the treasury bills and in the face values:

PDB Confirmations of Sale to IITC[37]

Maturity Date	Yield	Face Value	Total Price
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July 13, 1994			
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17.150%			
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P44,170,000.00	P42,998,169.00		
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July 6, 1994			
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17.150%			
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142,620,000.00	139,193,100.56		
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P186,790,000.00	P182,191,269.56		
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IITC Confirmations of Sale to COEC[38]

Maturity Date	Yield	Face Value	Total Price
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July 13, 1994			
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17.0%			
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P 44,161,700.44	P 43,000,000.00		
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July 6, 1994			
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17.0%			
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142,613,039.05 139,215,385.70

P186,774,739.49 P182,215,385.70

IITC offered a lower interest rate of 17% to COEC, in contrast to the 17.15% interest rate given to it by PDB. There is also a notable difference in the face value of the treasury bills and in the total price paid for each set. If, as IITC insists, it only acted as a conduit to the sale between PDB and COEC, then there should be no disparity in the terms (the interest rate, the face value and the total price) of the sale of the treasury bills. Obviously, this is not the case. The figures lead to no other conclusion but that there were two separate transactions in both of which IITC played a principal role – as a buyer from PDB of treasury bills with an aggregate face value of P186,790,000.00 at an interest rate of 17.15% and as a seller to COEC of treasury bills with an aggregate face value of P186,774,739.49 at an interest rate of 17%.

Again, IITC attempts to hold PDB and COEC responsible for this questionable variation, alleging that it was PDB and COEC which dictated the details of the purchase and sale of the treasury bills. IITC heavily relies on the fact that COEC directly paid PDB the amount of P182,191,269.26 representing the amount covered in the confirmations of sale issued by PDB to strengthen its position that it merely acted as a conduit between PDB and COEC.[39] This was further supported by the internal trading sheets of IITC where the following handwritten notations were made: (1) in Purchase Trading Sheet No. 10856 covering the purchase of treasury bills by IITC from PDB: “don’t prepare any check; payment will come from Capital One (See STS 10811)”, and (2) in Sale Trading Sheet No. 10811 covering the sale of treasury bills by IITC to COEC: “for STS 10810 and 10811 will receive 2 checks payable to the ff: 1. Planters Devt Bank - P182,191,269.59 2. IITC - 24,116.11”

The Court is not convinced. That COEC directly paid PDB is of no moment and does not necessarily mean that COEC recognized IITC’s conduit role in the transaction. Neither does it disprove the findings of both the RTC and the CA that IITC acted as principal in the two transactions – the purchase of treasury bills from PDB and the subsequent sale thereof to COEC. The Court agrees with the explanation of the RTC:

The Court is aware that in the trading business, agreements are concluded even before the goods being traded are received by the “would be seller.” Buyers in turn conclude their transactions even before they are paid. For this reason, the mere fact that in document for internal use, the instruction that “payment will come from Capital One” will not, by itself, prove that plaintiff was a mere conduit. Neither could it be considered as circumstantial to establish the fact in issue. At most, the instructions merely identified the source of funds but whether those funds are to be received by the plaintiff as purchase price or for remittance to whoever is entitled to it, none was indicated. The Court may look at the instruction differently if the entries were – “no payment required; COEC to pay PDB directly” or “this is a conduit transaction; servicing to be done by COEC” or “COEC to pay PDB directly.”[40]

IITC also insists that the fact that the P24,116.11 which it claims to be a facilitation fee is exactly the difference between the principal amounts of the treasury bills purchased from PDB and the treasury bills sold to COEC constitutes “the smoking gun or the veritable elephant in the living room.”[41] To IITC, it is apparent that the amount is a facilitation fee, adding credence to its contention that it only acted as a conduit.

The Court cannot sustain that view. There is nothing to prove that the amount of P24,116.11 received by IITC from COEC was a facilitation fee. As explained by COEC, the amount could easily have been the margin or spread earned by IITC in the buy-and-sell transaction.[42] This is, however, not for the Court to determine. As such, the Court relies on the findings of the RTC on this matter:

Plaintiff’s other evidence to prove its conduit role was the delivery to it by COEC by way of its corporate check of P24,116.11 in payment of plaintiff’s conduit fee. The Court is hesitant to give probative value to this

proof because nowhere does it appear in the trading sheets or any other document that it was collected by plaintiff and received by it from COEC in that concept. Business practice is to issue an official receipt because it is an income, but none was presented. The testimonial evidence was refuted. COEC presented controverting evidence on the original mode of payment which was requested to be changed by witness Bombaes. COEC presented the unsigned check and voucher. The latter was duly accomplished and bears the signatures or initials of the approving officers. On this particular issue, COEC's evidence deserves more weight.[43]

Finally, as correctly observed by the RTC, the actions of IITC after the transaction were not those of a conduit but of a principal:

The Court notes with particular interest the events which transpired on May 4, 1994, two (2) days after plaintiff through witness Mendoza learned of the non-delivery by PDB of the treasury bills. Witness Mendoza went to the office of PDB and secured the letter, Exhibit E, which contains the undertaking of PDB to deliver the treasury bills. This was procured by plaintiff and addressed to the plaintiff. The language used by PDB was "purchase[d] from us" and plaintiff accepted it.

Plaintiff failed to explain the reason for demanding delivery of the treasury bills when it was not the buyer as it so claims. It also failed to object to the use by PDB of the words "purchase[d] from us," something which it could easily do or should do considering the amount involved.

The conduct of the plaintiff after concluding the May 2, 1994 transaction [was] [that] of a buyer.[44]

From the foregoing, it is clear that IITC acted as principal purchaser from PDB and principal seller to COEC, and not simply as a conduit between PDB and COEC.

Set-off allowed

IITC argues that the RTC and the CA erred in holding that COEC can validly set off its claims for the undelivered IITC T-Bills against the COEC T-Bills.[45] IITC reiterates that COEC did not become a creditor of IITC because the former did not pay the latter for the purchased treasury bills. Rather, it was PDB which received the proceeds of the payment from COEC.[46] In addition, their obligations do not consist of a sum or money. Neither are they of the same kind because the obligations call for the delivery of specific determinate things – treasury bills with specific maturity dates and various interest rates. Thus, legal compensation cannot take place.[47]

COEC, on the other hand, points out that it has already unquestionably proven that IITC acted as a principal, and not as a conduit, in the sale of treasury bills to COEC.[48] Furthermore, it asserts that the treasury bills in question are generic in nature because the confirmations of sale and purchase do not mention specific treasury bills with serial numbers.[49] The securities were sold as indeterminate objects which have a monetary equivalent, as acknowledged by the parties in the Tripartite Agreement.[50] As such, because both IITC and COEC are principal creditors of the other over debts which consist of consumable things or a sum of money, the RTC correctly ruled that COEC may validly set-off its claims for undelivered treasury bills against that of IITC's claims.[51]

The Court finds in favor of respondent COEC.

The applicable provisions of law are Articles 1278, 1279 and 1290 of the Civil Code of the Philippines:

Art. 1278. Compensation shall take place when two persons, in their own right, are creditors and debtors of each other.

Art. 1279. In order that compensation may be proper, it is necessary:

(1)

That each one of the obligors be bound principally, and that he be at the same time a principal creditor of the

other;

(2)

That both debts consist in a sum of money, or if the things due are consumable, they be of the same kind, and also of the same quality if the latter has been stated;

(3)

That the two debts be due;

(4)

That they be liquidated and demandable;

(5)

That over neither of them there be any retention or controversy, commenced by third persons and communicated in due time to the debtor.

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Art. 1290. When all the requisites mentioned in Article 1279 are present, compensation takes effect by operation of law, and extinguishes both debts to the concurrent amount, even though the creditors and debtors are not aware of the compensation.

Based on the foregoing, in order for compensation to be valid, the five requisites mentioned in the abovequoted Article 1279 should be present, as in the case at bench. The lower courts have already determined, to which this Court concurs, that IITC acted as a principal in the purchase of treasury bills from PDB and in the subsequent sale to COEC of the COEC T-Bills. Thus, COEC and IITC are principal creditors of each other in relation to the sale of the COEC T-Bills and IITC T-Bills, respectively.

IITC also claims that the COEC T-Bills cannot be set-off against the IITC T-Bills because the latter are specific determinate things which consist of treasury bills with specific maturity dates and various interest rates.[52] IITC's actions belie its own assertion. The fact that IITC accepted the assignment by COEC of Central Bank Bills with an aggregate face value of P20,000,000.00 as payment of part of the IITC T-Bills is evidence of IITC's willingness to accept other forms of security as satisfaction of COEC's obligation. It should be noted that the second requisite only requires that the thing be of the same kind and quality. The COEC T-Bills and the IITC T-Bills are both government securities which, while having differing interest rates and dates of maturity, have each been assigned a certain face value to determine their monetary equivalent. In fact, in the Tripartite Agreement, the COEC-IITC Agreement and in the memoranda of the parties, the parties recognized the monetary value of the treasury bills in question, and, in some instances, treated them as sums of money.[53] Thus, they are of the same kind and are capable of being subject to compensation.

The third, fourth and fifth requirements are clearly present and are not denied by the parties. Both debts are due and demandable because both remain unsatisfied, despite payment made by IITC for the IITC T-Bills and by COEC for the COEC T-Bills. Moreover, COEC readily admits that it has an outstanding balance in favor of IITC.[54] Conversely, IITC has been found by the lower courts to be liable, as principal seller, for the delivery of the COEC T-Bills.[55] The debts are also liquidated because their existence and amount are determined.[56] Finally, there exists no retention or controversy over the COEC T-Bills and the IITC T-Bills.

Because all the stipulations under Article 1279 are present in this case, compensation can take place. COEC is allowed to set-off its obligation to deliver the IITC T-Bills against IITC's obligation to deliver the COEC T-Bills.

Correction of the amount due

Having established that compensation or set-off is allowed between COEC and IITC, the Court will now delve into the proper amount of the award and the applicable interest rates.

The RTC, in its Judgment, ordered IITC to pay COEC the amount of P17,056,608 with interest at the rate of 6% per annum until full payment. In arriving at the said amount, the trial court used, as its basis, COEC's claim against IITC for P186,790,000 worth of treasury bills less P50,000,000 which it received under the Tripartite Agreement. Then it deducted from this the P139,633,392.00 face value of the undelivered treasury bills by COEC to IITC less the P20,000,000 which COEC assigned to IITC pursuant to the COEC-IITC Agreement.[57]

As correctly pointed out by COEC, there was a mistake in the arithmetic subtraction made by the RTC. Using the figures provided by the lower court, the correct result should have been P17,156,608.00, P100,000.00 more than what was adjudged in favor of COEC. To illustrate:

The trial court's computation

COEC's counterclaim against IITC

P186,790,000.00

Amount assigned by IITC to COEC

(50,000,000.00)

Subtotal

P136,790,000.00

IITC's claim against COEC

P139,633,392.00

Amount reassigned by COEC to IITC

(20,000,000.00)

Subtotal

P119,633,392.00

TOTAL

P17,156,608.00

Aside from the error in the RTC's mathematical computation, a review of the records, particularly the March 20, 1995 Amended Complaint filed by IITC, the April 10, 1995 Answer to Amended Complaint (With Counterclaim) filed by COEC and the September 2, 1999 Partial Stipulation of Facts and Documents submitted by IITC, COEC and PDB to the trial court, reveals that there was some confusion as to the correct basis to be used for calculating the amount due to COEC. In COEC's Answer and in the Partial Stipulation, it explicitly stated that it purchased from IITC treasury bills with a face value of P186,774,739.49, as evidenced by the Confirmations of Sale issued

by IITC. If this figure is used in computing COEC's award, the resulting amount would be P17,141,347.49, which is consistent with COEC's counterclaim.

The revised computation

COEC's counterclaim against IITC

P186,774,739.49

Amount assigned by IITC to COEC

(50,000,000.00)

Subtotal

P136,774,739.49

IITC's claim against COEC

P139,633,392.00

Amount reassigned by COEC to IITC

(20,000,000.00)

Subtotal

P119,633,392.00

TOTAL

P17,141,347.49

Lastly, as regards the legal interest which should be imposed on the award, the Court directs the attention of the parties to the case of *Eastern Shipping Lines v. Court of Appeals*,^[58]

1. When the obligation is breached, and it consists in the payment of a sum of money, i.e., a loan or forbearance of money, the interest due should be that which may have been stipulated in writing. Furthermore, the interest due shall itself earn legal interest from the time it is judicially demanded. In the absence of stipulation, the rate of interest shall be 12% per annum to be computed from default, i.e., from judicial or extrajudicial demand under and subject to the provisions of Article 1169 of the Civil Code.

2. When an obligation, not constituting a loan or forbearance of money, is breached, an interest on the amount of damages awarded may be imposed at the discretion of the court at the rate of 6% per annum. No interest, however, shall be adjudged on unliquidated claims or damages except when or until the demand can be established with reasonable certainty. Accordingly, where the demand is established with reasonable certainty, the interest shall begin to run from the time the claim is made judicially or extrajudicially (Art. 1169, Civil Code) but when such certainty cannot be so reasonably established at the time the demand is made, the interest shall begin to run only from the date the judgment of the court is made (at which time the quantification of damages may be deemed to have been reasonably ascertained). The actual base for the computation of legal interest shall, in any case, be on the amount finally adjudged.

3. When the judgment of the court awarding a sum of money becomes final and executory, the rate of legal interest, whether the case falls under paragraph 1 or paragraph 2, above, shall be 12% per annum from such finality until its satisfaction, this interim period being deemed to be by then an equivalent to a forbearance of credit.[59] (Emphases supplied)

Because the obligation arose from a contract of sale and purchase of government securities, and not from a loan or forbearance of money, the applicable interest rate is 6% from June 10, 1994, when IITC received the demand letter from COEC.[60] After the judgment becomes final and executory, the legal interest rate increases to 12% until the obligation is satisfied.

In sum, the Court finds that after compensation is effected, IITC still owes COEC P17,141,347.49 worth of treasury bills, subject to the interest rate of 6% per annum from June 10, 1994, then subsequently to the increased interest rate of 12% from the date of finality of this decision until full payment.

PDB has an obligation to deliver
the treasury bills to IITC

The CA, in absolving PDB from all liability, reasoned that: (1) PDB was not involved in the transactions for the purchase and sale of treasury bills between IITC and COEC; (2) IITC failed to allege in its Amended Complaint and prove during the trial that PDB directly and principally sold to IITC P186,790,000 worth of treasury bills; (3) while PDB undertook, in its May 4, 1994 letter to deliver to IITC the said treasury bills, the obligation did not ripen because the bills did not become available to PDB and IITC did not remit any payment to PDB; (4) IITC did not demand delivery of the treasury bills; (5) IITC merely sued PDB as an alternative defendant, implying that IITC did not have a principal and direct cause of action against PDB on the treasury bills; and (6) there was nothing in the records to support the trial court's finding that PDB owed IITC P186,790,000 worth of treasury bills.[61]

PDB essentially echoes the reasons set forth by the CA and reiterated that because IITC did not pay for the treasury bills subject of its (PDB) May 4 undertaking, then IITC had no right to demand delivery of the said securities from PDB. Moreover, the check payments made by COEC to PDB were not in payment of the treasury bills purchased by IITC from PDB, but for COEC's other obligations with PDB. The total amount of the checks P182,191,269.26 did not correspond to the treasury bills worth P186,790,000 which COEC allegedly purchased from PDB with IITC acting as conduit. PDB also points out that COEC did not interpose a cross-claim against it precisely because COEC was aware that it had no claim against PDB.[62] Also, the checks clearly indicated that they were made in payment for the account of COEC.[63]

IITC insists that it alleged in its Amended Complaint (by way of alternative cause of action) that PDB directly and principally sold to IITC treasury bills worth P186,790,000.00. By suing PDB as an alternative defendant, IITC did not acknowledge that PDB could not be held principally liable. On the contrary, by bringing suit against PDB under an alternative cause of action, IITC set forth a claim against PDB as the principal seller of the treasury bills. In addition, IITC categorically refuted PDB's allegation that the former did not pay for the treasury bills purchased from the latter. The judicial admissions of PDB during the course of the trial and in the Partial Stipulation, that PDB received the proceeds of the manager's checks issued by COEC as payment for COEC's purchase of treasury bills from IITC, contradict PDB's defense that no payment was made by IITC for the said treasury bills. Payment by COEC to PDB, upon IITC's instructions, should be treated as a payment by a third person with the knowledge of the debtor, under Article 1236 of the Civil Code. Thus, when PDB accepted COEC's checks, it became duty bound to deliver the treasury bills sold to IITC as the principal buyer.[64]

Lastly, IITC points out the absurdity of the CA decision in allowing COEC to offset its liability to IITC against its

liability to deliver the treasury bills purchased by COEC. The parties do not deny that COEC paid for the purchase price of the subject treasury bills by issuing manager's checks in the name of PDB and IITC. As such, unless COEC's payment to PDB is credited as payment by IITC to PDB for the securities purchased by IITC, under that theory that IITC acted as a principal buyer, there would be no obligation on the part of IITC against which a set-off can be effected by COEC.[65]

On this point, the Court agrees with IITC.

First, while it is true that PDB was not involved in the sale of the COEC T-Bills, it is irrelevant to the issue because it is IITC which interposed a claim, albeit an alternative one, against PDB for having sold to IITC treasury bills worth P186,790,000.00. This was alleged in IITC's Amended Complaint and was deemed by the RTC to have been successfully proven.[66] The findings of the RTC are supported by the confirmations of sale issued by PDB in favor of IITC and PDB's letter dated May 4, 1994 undertaking to deliver the treasury bills worth P186,790,000.00 to IITC.[67] The due execution and the veracity of the contents of the aforesaid documents have been admitted by the parties.[68]

Second, it is erroneous to say that IITC never made any demand upon PDB. IITC's letter dated May 18, 1994 addressed to PDB confirms that it demanded delivery by PDB of the treasury bills covered by the confirmations of sale issued by PDB in its favor. Although the demand was made on behalf of COEC, which allegedly purchased the treasury bills from PDB, consistent with IITC's assertion that it only facilitated the sale, it was nevertheless a demand for delivery. Even if this were to be considered an invalid demand because it was not made by IITC as the principal party to the transaction with PDB, the filing of the Amended Complaint by IITC is equivalent to demand, in keeping with the rule that the filing of a complaint constitutes judicial demand.[69]

Third, the CA ruling that IITC impliedly did not have a principal cause of action because it merely sued PDB as an alternative defendant is an extremely flawed and baseless supposition which runs counter to established law and jurisprudence. The filing of a suit against an alternative defendant and under an alternative cause of action should not be taken against IITC. Section 13, Rule 3 and Section 2, Rule 8 of the Rules of Civil Procedure explicitly allows such filing:

Rule 13, Section 13: Alternative defendants. — Where the plaintiff is uncertain against who of several persons he is entitled to relief, he may join any or all of them as defendants in the alternative, although a right to relief against one may be inconsistent with a right of relief against the other. (13a)

Rule 8, Section 2: Alternative causes of action or defenses. — A party may set forth two or more statements of a claim or defense alternatively or hypothetically, either in one cause of action or defense or in separate causes of action or defenses. When two or more statements are made in the alternative and one of them if made independently would be sufficient, the pleading is not made insufficient by the insufficiency of one or more of the alternative statements.

As discussed earlier, the Court is not granting IITC's primary cause of action against COEC because IITC acted, not as a mere conduit for the sale of shares by PDB to COEC as alleged by IITC, but rather as a principal purchaser of securities from PDB and then later as a principal seller to COEC. By reason of this determination, COEC is allowed to offset its outstanding obligation to deliver the remaining IITC T-Bills against the latter's obligation to deliver the COEC T-Bills. Consequently, IITC's alternative action against the alternative defendant PDB should be considered in order for IITC to be able to recover from PDB the P186,790,000.00 worth of treasury bills which had already been fully paid for.

To ascertain whether IITC was able to adequately state an alternative cause of action against PDB in its Amended Complaint, the Court refers to *Perpetual Savings Bank v. Fajardo*[70] where the test for determining the existence

of a cause of action was extensively discussed:

The familiar test for determining whether a complaint did or did not state a cause of action against the defendants is whether or not, admitting hypothetically the truth of the allegations of fact made in the complaint, a judge may validly grant the relief demanded in the complaint. In *Rava Development Corporation v. Court of Appeals*, the Court elaborated on this established standard in the following manner:

“The rule is that a defendant moving to dismiss a complaint on the ground of lack of cause of action is regarded as having hypothetically admitted all the averments thereof. The test of the sufficiency of the facts found in a petition as constituting a cause of action is whether or not, admitting the facts alleged, the court can render a valid judgment upon the same in accordance with the prayer thereof (*Consolidated Bank and Trust Corp. v. Court of Appeals*, 197 SCRA 663 [1991]).

In determining the existence of a cause of action, only the statements in the complaint may properly be considered. It is error for the court to take cognizance of external facts or hold preliminary hearings to determine their existence. If the allegation in a complaint furnish sufficient basis by which the complaint may be maintained, the same should not be dismissed regardless of the defenses that may be assessed by the defendants (*supra*).

A careful review of the records of this case reveals that the allegations set forth in the complaint sufficiently establish a cause of action. The following are the requisites for the existence of a cause of action: (1) a right in favor of the plaintiff by whatever means and under whatever law it arises or is created; (2) an obligation on the part of the named defendant to respect, or not to violate such right; and (3) an act or omission on the part of the said defendants constituting a violation of the plaintiff's right or a breach of the obligation of the defendant to the plaintiff (*Heirs of Ildefonso Coscolluela, Sr., Inc. v. Rico General Insurance Corporation*, 179 SCRA 511 [1989]).”[71] (Emphases supplied)

Following the disquisition above, IITC's Amended Complaint, while not a model of superb draftsmanship in its struggle to maintain IITC's conduit theory, adequately sets forth a cause of action against PDB. Under its claim against PDB as alternative defendant, IITC alleged that, even if it acted as a direct buyer from PDB, (1) IITC is entitled to the delivery of the treasury bills worth P186,790,000.00 covered by the confirmations of sale issued by PDB, (2) PDB has an obligation to deliver the same to IITC, and (3) PDB failed to deliver the said securities to IITC.[72]

It would be the height of injustice to hold IITC accountable for the delivery of the COEC T-Bills to COEC without similarly holding PDB liable for the release of the treasury bills worth P186,790,000.00 to IITC, which cannot be accomplished without allowing IITC's alternative cause of action against PDB to prosper.

The Court now tackles the main argument of PDB for sustaining the ruling of the CA absolving it from liability – that IITC allegedly failed to make the required payment for the purchase. PDB claims that the manager's checks which it received from COEC were payment by the latter for its other obligations to the former. Conspicuously, PDB failed to elaborate on the supposed obligations of COEC.

This flimsy allegation is patently untrue. In its Memorandum,[73] COEC denied that the checks were payment for an account which it had with PDB, as PDB so desperately alleges. COEC clarified that the manager's checks payable to PDB were issued by COEC upon the instructions of IITC in payment for the COEC T-Bills. PDB's theory was negated by COEC itself as the issuer of the checks. Moreover, PDB already judicially admitted, through the Partial Stipulation, that the checks were given by COEC as payment for the COEC T-Bills. Section 4, Rule 129 of the Revised Rules of Evidence provides that:

Sec. 4. Judicial admissions. – An admission, verbal or written, made by a party in the course of the proceedings in the same case, does not require proof. The admission may be contradicted only by showing that it was made

through palpable mistake or that no such admission was made.

As such, PDB cannot now gainsay itself by claiming that the checks were payment by COEC for certain unidentified obligations to PDB. "It is well-settled that judicial admissions cannot be contradicted by the admitter who is the party himself and binds the person who makes the same, and absent any showing that this was made thru palpable mistake, no amount of rationalization can offset it." [74]

Since it has been sufficiently established that it was IITC which instructed that payment be made to PDB, it is apparent that the said checks were delivered to PDB in consideration of a transaction between PDB and IITC. On May 2, 1994, the same date the checks were issued, IITC purchased treasury bills with a combined face value of P186,790,000.00 from PDB for the total price of P182,191,269.56. The Court notes that the P182,191,269.26 aggregate amount of the checks issued by COEC to PDB is almost exactly equal to the total price of the treasury bills which IITC purchased from PDB. [75] The payment by COEC on behalf of IITC can be considered as payment made by a third-party to the transaction between IITC and PDB which is allowed under Article 1236 of the Civil Code of the Philippines. [76]

The Court finds no logical reason either for PDB to execute the May 4, 1994 Letter to IITC undertaking to deliver treasury bills worth P186,790,000.00 if it had not received the payment from IITC. Especially so because there is nothing in the letter to indicate that PDB was still awaiting payment for the said securities. There is no other reasonable conclusion but that PDB received payment, in the form of three manager's checks issued by COEC, for the treasury bills purchased by IITC, and that having failed to promptly deliver the treasury bills despite having encashed the checks, PDB then executed the foregoing letter of undertaking.

Also telling is PDB's participation in the Tripartite Agreement with IITC and COEC where it assigned P50,000,000 worth of Central Bank Bills to IITC, in consideration of which, IITC relinquished its right to claim delivery under the confirmations of sale issued by PDB to the extent of P50,000,000. While the agreement stipulated that it was not in any way an admission of any liability by any one of them against another, the fact that PDB agreed to execute such an agreement is indicative of the existence of its obligation to IITC. In its Answer Ad Cautelam filed before the RTC, PDB explained that it gave up P50,000,000 worth of Central Bank Bills simply to assist COEC and IITC meet their financial difficulties. The Court finds this allegation highly inconceivable, preposterous and even ludicrous because no company in its right mind would willingly part with such a huge amount of bank bills for no consideration whatsoever except for solely altruistic reasons.

Finally, PDB's argument that it had no obligation to deliver the treasury bills purchased by IITC because the same did not become available to PDB is evidently a frantic last ditch attempt to evade liability. That the subject securities did not become available to PDB should not be the concern of IITC. For as long as payment was made, PDB was obliged to deliver the securities subject of its confirmations of sale.

PDB's adroit maneuvering coupled with IITC's poorly conceived conduit theory led the CA to reach an erroneous conclusion. This Court, however, will not be similarly blinded. There is simply an incongruity in the CA decision. Accordingly, this Court rules that PDB should be liable for the delivery of P186,790,000.00 worth of treasury bills to IITC, or payment of the same, reduced by P50,000,000.00 which the former assigned to the latter under the Tripartite Agreement. The total liability of PDB is P136,790,000.00, computed as follows:

PDB's Liability

Amount of treasury bills purchased by IITC

P186,790,000.00

Amount assigned by PDB to IITC

50,000,000.00

TOTAL

P136,790,000.00

This shall be subject to interest at the rate of 6% per annum from the date of the filing of the Amended Complaint on March 21, 1995, considered as the date of judicial demand, then to 12% per annum from the date of finality of this decision until full payment.

To rule otherwise would be to allow unjust enrichment on the part of PDB to the detriment of IITC. Article 22 of the Civil Code of the Philippines provides that:

Art. 22. Every person who through an act of performance by another, or any other means, acquires or comes into possession of something at the expense of the latter without just or legal ground, shall return the same to him.

In the recent case of *Flores v. Spouses Lindo*,^[77] this Court expounded on the subject matter:

There is unjust enrichment “when a person unjustly retains a benefit to the loss of another, or when a person retains money or property of another against the fundamental principles of justice, equity and good conscience.” The principle of unjust enrichment requires two conditions: (1) that a person is benefited without a valid basis or justification, and (2) that such benefit is derived at the expense of another.

The main objective of the principle against unjust enrichment is to prevent one from enriching himself at the expense of another without just cause or consideration.^[78]

The Court cannot condone a decision which is manifestly partial. Neither shall the Court be a party to the perpetration of injustice. As the last bastion of justice, this Court shall always rule pursuant to the precepts of fairness and equity in order to dispel any doubt in the integrity and competence of the Judiciary.

WHEREFORE, the petition is **PARTIALLY GRANTED**. The June 6, 2008 Decision of the Court of Appeals in C.A.-G.R. CV No. 79320 is **SET ASIDE**. Accordingly, the June 16, 2003 RTC Decision is **REINSTATED** though **MODIFIED** to read as follows:

FOR THE REASONS GIVEN, judgment is hereby rendered -

a] ordering Planters Development Bank to pay plaintiff ₱136,790,000.00 with interest at the rate of six (6%) percent per annum from March 21, 1995 until full payment;

b] ordering Insular and Trust Investment Corporation to pay Capital One Equities Corporation ₱17,156,608.00 with legal interest at the rate of six (6%) percent per annum from June 10, 1994 until full payment; and

c] dismissing the counterclaim of Planters Development Bank.

Any amount not paid upon the finality of this decision shall be subject to interest at the increased rate of twelve (12%) percent per annum reckoned from the date of finality of this decision until full payment thereof.

No pronouncement as to costs.

SO ORDERED.

Velasco, Jr., (Chairperson), Peralta, Abad, and Perlas-Bernabe, JJ., concur.

[1] Rollo, pp. 249-276; penned by Associate Justice Agustin S. Dizon and concurred in by Associate Justice Regalado E. Maambong and Associate Justice Celia C. Librea-Leagogo of the Sixteenth Division of the Court of Appeals.

[2] Id. at 434-441.

[3] Id. at 309.

[4] Id. at 383.

[5] Id. at 310.

[6] Id. at 313.

[7] The correct amount is Php139,633,392 (based on COEC's admission in its Answer dated April 10, 1995; id. at 425).

[8] Rollo, pp. 314-318.

[9] Id. at 319-322.

[10] Id. at 182.

[11] Id. at 323-337.

[12] Id. at 421-427.

[13] Id. at 425.

[14] Id. at 426a.

[15] Id. at 428-433.

[16] Id. at 444-462; penned by Judge Sixto Marella, Jr. of the Regional Trial Court Branch 138, Makati City.

[17] Id. at 268.

[18] Id. at 270.

[19] Id. at 271.

[20] Id. at 2587-2588.

[21] Id. at 2350.

[22] Id. at 2497.

[23] Id. at 2497-2498.

[24] Id. at 2588-2594.

[25] Id. at 2431-2435.

[26] Id. at 2508.

- [27] *Dimaranan v. Heirs of Spouses Arayata*, G.R. No. 184193, March 29, 2010, 617 SCRA 101,112.
- [28] *Eterton Multi-Resources Corporation v. Filipino Pipe and Foundry Corporation*, G.R. No. 179812, July 6, 2010, 624 SCRA 148,154.
- [29] G.R. No. 126850, April 28, 2004, 428 SCRA 79.
- [30] *Id.* at 85-86 (previous citations omitted).
- [31] *Rollo*, pp. 303-304.
- [32] *Id.* at 301-302.
- [33] *Id.* at 2609.
- [34] *Henson v. Intermediate Appellate Court*, 232 Phil. 12 (1987), citing *San Mauricio Mining Company v. Ancheta*, 192 Phil. 624 (1981).
- [35] G.R. No. L-36902, January 30, 1982, 111 SCRA 341.
- [36] *Id.*
- [37] *Rollo*, pp. 299-300.
- [38] *Id.* at 303-304.
- [39] *Id.* at 2604-2606.
- [40] *Id.* at 454.
- [41] *Id.* at 2617.
- [42] *Id.* at 2393.
- [43] *Id.* at 455.
- [44] *Id.* at 458.
- [45] *Id.* at 2637.
- [46] *Id.* at 2637.
- [47] *Id.* at 2638.
- [48] *Id.* at 2406.
- [49] *Id.* at 2408.
- [50] *Id.* at 2409.
- [51] *Id.* at 2410.
- [52] *Id.* at 2638.
- [53] *Id.* at 314, 319, 2304, 2481, 2560.
- [54] *Id.* at 2304.
- [55] *Id.* at 268.

[56] Montemayor v. Millora, G.R. No. 168251, July 27, 2011, citing Tolentino, Arturo M., IV Commentaries and Jurisprudence on the Civil Code of the Philippines, 2002 ed., p. 371.

[57] Rollo, p. 460.

[58] G.R. No. 97412, July 12, 1994, 234 SCRA 78.

[59] Id. at 95-96.

[60] Rollo, p. 388.

[61] Id. at 269-274.

[62] Id. at 2538.

[63] Id. at 2534-2538.

[64] Id. at 2629-2635.

[65] Id. at 2636.

[66] Id. at 330 and 458.

[67] Id. at 299-300 and 309.

[68] Id. at 437-438.

[69] Oceaneering Contractors (Phils.), Inc. v. Barretto, G.R. No. 184215, February 9, 2011, 642 SCRA 596, 609.

[70] G.R. No. 79760, June 28, 1993, 223 SCRA 720.

[71] Id. at 728, citing Rava Development Corporation v. Court of Appeals, G.R. No. 96825, July 3, 1992, 211 SCRA 144.

[72] Rollo, p. 330.

[73] Id. at 2303-2453.

[74] Landoil Resources Corporation v. Al Rabiah Lighting Company, G.R. No. 174720, September 7, 2011, citing Spouses Binarao v. Plus Builders, Inc., 524 Phil. 361 (2006).

[75] Rollo, pp. 299-302 and 305-308.

[76] Art. 1236. The creditor is not bound to accept payment or performance by a third person who has no interest in the fulfilment of the obligation, unless there is a stipulation to the contrary.

Whoever pays for another may demand from the debtor what he has paid, except that if he paid without the knowledge or against the will of the debtor, he can recover only insofar as the payment has been beneficial to the debtor.

[77] G.R. No. 183984, April 13, 2011, 648 SCRA 772.

[78] Id. at 782-783.

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