

ANTONIO FRANCISCO, SUBSTITUTED BY HIS HEIRS: NELIA E.S. FRANCISCO, EMILIA F. BERTIZ, REBECCA E.S. FRANCISCO, ANTONIO E.S. FRANCISCO, JR., SOCORRO F. FONTANILLA, AND JOVITO E.S. ...

G.R. No. 193577. September 07, 2011

Ponente: CARPIO, J.

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CARPIO, J.:

The Case

This is a petition for review[1] of the 31 May 2010 Decision[2] and 31 August 2010 Resolution[3] of the Court of Appeals in CA G.R. CV No. 63591. In its 31 May 2010 Decision, the Court of Appeals set aside the 21 August 1998 Decision[4] of the Regional Trial of Pasig City, Branch 71 (trial court), and ordered petitioner Antonio Francisco (Francisco) to pay respondent Chemical Bulk Carriers, Incorporated (CBCI) P1,119,905 as actual damages. In its 31 August 2010 Resolution, the Court of Appeals denied Francisco's motion for reconsideration.

The Facts

Since 1965, Francisco was the owner and manager of a Caltex station in Teresa, Rizal. Sometime in March 1993, four persons, including Gregorio Bacsa (Bacsa), came to Francisco's Caltex station and introduced themselves as employees of CBCI. Bacsa offered to sell to Francisco a certain quantity of CBCI's diesel fuel.

After checking Bacsa's identification card, Francisco agreed to purchase CBCI's diesel fuel. Francisco imposed the following conditions for the purchase: (1) that Petron Corporation (Petron) should deliver the diesel fuel to Francisco at his business address which should be properly indicated in Petron's invoice; (2) that the delivery tank is sealed; and (3) that Bacsa should issue a separate receipt to Francisco.

The deliveries started on 5 April 1993 and lasted for ten months, or up to 25 January 1994.[5] There were 17 deliveries to Francisco and all his conditions were complied with.

In February 1996, CBCI sent a demand letter to Francisco regarding the diesel fuel delivered to him but which had been paid for by CBCI.[6] CBCI demanded that Francisco pay CBCI P1,053,527 for the diesel fuel or CBCI would file a complaint against him in court. Francisco rejected CBCI's demand.

On 16 April 1996, CBCI filed a complaint for sum of money and damages against Francisco and other unnamed defendants.[7] According to CBCI, Petron, on various dates, sold diesel fuel to CBCI but these were delivered to and received by Francisco. Francisco then sold the diesel fuel to third persons from whom he received payment. CBCI alleged that Francisco acquired possession of the diesel fuel without authority from CBCI and deprived CBCI of the use of the diesel fuel it had paid for. CBCI demanded payment from Francisco but he refused to pay. CBCI argued that Francisco should have known that since only Petron, Shell and Caltex are authorized to sell and distribute petroleum products in the Philippines, the diesel fuel came from illegitimate, if not illegal or criminal, acts. CBCI asserted that Francisco violated Articles 19,[8] 20,[9] 21,[10] and 22[11] of the Civil Code and that he should be held liable. In the alternative, CBCI claimed that Francisco, in receiving CBCI's diesel fuel, entered into

an innominate contract of *do ut des* (I give and you give) with CBCI for which Francisco is obligated to pay CBCI P1,119,905, the value of the diesel fuel. CBCI also prayed for exemplary damages, attorney's fees and other expenses of litigation.

On 20 May 1996, Francisco filed a Motion to Dismiss on the ground of forum shopping.[12] CBCI filed its Opposition.[13] In an Order dated 15 November 1996, the trial court denied Francisco's motion.[14]

Thereafter, Francisco filed his Answer.[15] Francisco explained that he operates the Caltex station with the help of his family because, in February 1978, he completely lost his eyesight due to sickness. Francisco claimed that he asked Jovito, his son, to look into and verify the identity of Bacsá, who introduced himself as a radio operator and confidential secretary of a certain Mr. Inawat (Inawat), CBCI's manager for operations. Francisco said he was satisfied with the proof presented by Bacsá. When asked to explain why CBCI was selling its fuel, Bacsá allegedly replied that CBCI was in immediate need of cash for the salary of its daily paid workers and for petty cash. Francisco maintained that Bacsá assured him that the diesel fuel was not stolen property and that CBCI enjoyed a big credit line with Petron. Francisco agreed to purchase the diesel fuel offered by Bacsá on the following conditions:

- 1) Defendant [Francisco] will not accept any delivery if it is not company (Petron) delivered, with his name and address as shipping point properly printed and indicated in the invoice of Petron, and that the product on the delivery tank is sealed; [and]
- 2) Although the original invoice is sufficient evidence of delivery and payment, under ordinary course of business, defendant still required Mr. Bacsá to issue a separate receipt duly signed by him acknowledging receipt of the amount stated in the invoice, for and in behalf of CBCI.[16]

During the first delivery on 5 April 1993, Francisco asked one of his sons to verify whether the delivery truck's tank was properly sealed and whether Petron issued the invoice. Francisco said all his conditions were complied with. There were 17 deliveries made from 5 April 1993 to 25 January 1994 and each delivery was for 10,000 liters of diesel fuel at P65,865.[17] Francisco maintained that he acquired the diesel fuel in good faith and for value. Francisco also filed a counterclaim for exemplary damages, moral damages and attorney's fees.

In its 21 August 1998 Decision, the trial court ruled in Francisco's favor and dismissed CBCI's complaint. The dispositive portion of the trial court's 21 August 1998 Decision reads:

WHEREFORE, Judgment is hereby rendered:

1. Dismissing the complaint dated March 13, 1996 with costs.
2. Ordering plaintiff (CBCI), on the counterclaim, to pay defendant the amount of P100,000.00 as moral damages and P50,000.00 as and by way of attorney's fees.

SO ORDERED.[18]

CBCI appealed to the Court of Appeals.[19] CBCI argued that Francisco acquired the diesel fuel from Petron without legal ground because Bacsá was not authorized to deliver and sell CBCI's diesel fuel. CBCI added that Francisco acted in bad faith because he should have inquired further whether Bacsá's sale of CBCI's diesel fuel was legitimate.

In its 31 May 2010 Decision, the Court of Appeals set aside the trial court's 21 August 1998 Decision and ruled in CBCI's favor. The dispositive portion of the Court of Appeals' 31 May 2010 Decision reads:

IN VIEW OF THE FOREGOING, the assailed decision is hereby REVERSED and SET ASIDE. Antonio Francisco is ordered to pay Chemical Bulk Carriers, Incorporated the amount of P1,119,905.00 as actual

damages.

SO ORDERED.[20]

On 15 January 2001, Francisco died.[21] Francisco's heirs, namely: Nelia E.S. Francisco, Emilia F. Bertiz, Rebecca E.S. Francisco, Antonio E.S. Francisco, Jr., Socorro F. Fontanilla, and Jovito E.S. Francisco (heirs of Francisco) filed a motion for substitution.[22] The heirs of Francisco also filed a motion for reconsideration.[23] In its 31 August 2010 Resolution, the Court of Appeals granted the motion for substitution but denied the motion for reconsideration.

Hence, this petition.

The Ruling of the Trial Court

The trial court ruled that Francisco was not liable for damages in favor of CBCI because the 17 deliveries were covered by original and genuine invoices. The trial court declared that Bacsa, as confidential secretary of Inawat, was CBCI's authorized representative who received Francisco's full payment for the diesel fuel. The trial court stated that if Bacsa was not authorized, CBCI should have sued Bacsa and not Francisco. The trial court also considered Francisco a buyer in good faith who paid in full for the merchandise without notice that some other person had a right to or interest in such diesel fuel. The trial court pointed out that good faith affords protection to a purchaser for value. Finally, since CBCI was bound by the acts of Bacsa, the trial court ruled that CBCI is liable to pay damages to Francisco.

The Ruling of the Court of Appeals

The Court of Appeals set aside the trial court's 21 August 1998 Decision and ruled that Bacsa's act of selling the diesel fuel to Francisco was his personal act and, even if Bacsa connived with Inawat, the sale does not bind CBCI.

The Court of Appeals declared that since Francisco had been in the business of selling petroleum products for a considerable number of years, his blindness was not a hindrance for him to transact business with other people. With his condition and experience, Francisco should have verified whether CBCI was indeed selling diesel fuel and if it had given Bacsa authority to do so. Moreover, the Court of Appeals stated that Francisco cannot feign good faith since he had doubts as to the authority of Bacsa yet he did not seek confirmation from CBCI and contented himself with an improvised receipt. Francisco's failure to verify Bacsa's authority showed that he had an ulterior motive. The receipts issued by Bacsa also showed his lack of authority because it was on a plain sheet of bond paper with no letterhead or any indication that it came from CBCI. The Court of Appeals ruled that Francisco cannot invoke estoppel because he was at fault for choosing to ignore the tell-tale signs of petroleum diversion and for not exercising prudence.

The Court of Appeals also ruled that CBCI was unlawfully deprived of the diesel fuel which, as indicated in the invoices, CBCI had already paid for. Therefore, CBCI had the right to recover the diesel fuel or its value from Francisco. Since the diesel fuel can no longer be returned, the Court of Appeals ordered Francisco to give back the actual amount paid by CBCI for the diesel fuel.

The Issues

The heirs of Francisco raise the following issues:

- WHETHER THE COURT OF APPEALS ERRED IN NOT FINDING THAT DEFENDANT ANTONIO FRANCISCO EXERCISED THE REQUIRED DILIGENCE OF A BLIND PERSON IN THE CONDUCT OF

HIS BUSINESS; and

- WHETHER ON THE BASIS OF THE FACTUAL FINDINGS OF THE COURT OF APPEALS AND THE TRIAL COURT AND ADMITTED FACTS, IT CAN BE CONCLUDED THAT THE PLAINTIFF APPROVED EXPRESSLY OR TACITLY THE TRANSACTIONS.[24]

The Ruling of the Court

The petition has no merit.

Required Diligence of a Blind Person

The heirs of Francisco argue that the Court of Appeals erred when it ruled that Francisco was liable to CBCI because he failed to exercise the diligence of a good father of a family when he bought the diesel fuel. They argue that since Francisco was blind, the standard of conduct that was required of him was that of a reasonable person under like disability. Moreover, they insist that Francisco exercised due care in purchasing the diesel fuel by doing the following: (1) Francisco asked his son to check the identity of Bacsas; (2) Francisco required direct delivery from Petron; (3) Francisco required that he be named as the consignee in the invoice; and (4) Francisco required separate receipts from Bacsas to evidence actual payment.

Standard of conduct is the level of expected conduct that is required by the nature of the obligation and corresponding to the circumstances of the person, time and place.[25] The most common standard of conduct is that of a good father of a family or that of a reasonably prudent person.[26] To determine the diligence which must be required of all persons, we use as basis the abstract average standard corresponding to a normal orderly person.[27]

However, one who is physically disabled is required to use the same degree of care that a reasonably careful person who has the same physical disability would use.[28] Physical handicaps and infirmities, such as blindness or deafness, are treated as part of the circumstances under which a reasonable person must act. Thus, the standard of conduct for a blind person becomes that of a reasonable person who is blind.

We note that Francisco, despite being blind, had been managing and operating the Caltex station for 15 years and this was not a hindrance for him to transact business until this time. In this instance, however, we rule that Francisco failed to exercise the standard of conduct expected of a reasonable person who is blind. First, Francisco merely relied on the identification card of Bacsas to determine if he was authorized by CBCI. Francisco did not do any other background check on the identity and authority of Bacsas. Second, Francisco already expressed his misgivings about the diesel fuel, fearing that they might be stolen property,[29] yet he did not verify with CBCI the authority of Bacsas to sell the diesel fuel. Third, Francisco relied on the receipts issued by Bacsas which were typewritten on a half sheet of plain bond paper.[30] If Francisco exercised reasonable diligence, he should have asked for an official receipt issued by CBCI. Fourth, the delivery to Francisco, as indicated in Petron's invoice, does not show that CBCI authorized Bacsas to sell the diesel fuel to Francisco. Clearly, Francisco failed to exercise the standard of conduct expected of a reasonable person who is blind.

Express or Tacit Approval of the Transaction

The heirs of Francisco argue that CBCI approved expressly or tacitly the transactions. According to them, there was apparent authority for Bacsas to enter into the transactions. They argue that even if the agent has exceeded his authority, the principal is solidarily liable with the agent if the former allowed the latter to act as though he had full powers.[31] They insist CBCI was not unlawfully deprived of its property because Inawit gave Bacsas the authority to sell the diesel fuel and that CBCI is bound by such action. Lastly, they argue that CBCI should be considered in estoppel for failure to act during the ten month period that deliveries were being made to Francisco.

The general principle is that a seller without title cannot transfer a better title than he has.[32] Only the owner of the goods or one authorized by the owner to sell can transfer title to the buyer.[33] Therefore, a person can sell only what he owns or is authorized to sell and the buyer can, as a consequence, acquire no more than what the seller can legally transfer.[34]

Moreover, the owner of the goods who has been unlawfully deprived of it may recover it even from a purchaser in good faith.[35] Thus, the purchaser of property which has been stolen from the owner has been held to acquire no title to it even though he purchased for value and in good faith.

The exception from the general principle is the doctrine of estoppel where the owner of the goods is precluded from denying the seller's authority to sell.[36] But in order that there may be estoppel, the owner must, by word or conduct, have caused or allowed it to appear that title or authority to sell is with the seller and the buyer must have been misled to his damage.[37]

In this case, it is clear that Bacsa was not the owner of the diesel fuel. Francisco was aware of this but he claimed that Bacsa was authorized by CBCI to sell the diesel fuel. However, Francisco's claim that Bacsa was authorized is not supported by any evidence except his self-serving testimony. First, Francisco did not even confirm with CBCI if it was indeed selling its diesel fuel since it is not one of the oil companies known in the market to be selling petroleum products. This fact alone should have put Francisco on guard. Second, it does not appear that CBCI, by some direct and equivocal act, has clothed Bacsa with the indicia of ownership or apparent authority to sell CBCI's diesel fuel. Francisco did not state if the identification card presented by Bacsa indicated that he was CBCI's agent or a mere employee. Third, the receipt issued by Bacsa was typewritten on a half sheet of plain bond paper. There was no letterhead or any indication that it came from CBCI. We agree with the Court of Appeals that this was a personal receipt issued by Bacsa and not an official receipt issued by CBCI. Consequently, CBCI is not precluded by its conduct from denying Bacsa's authority to sell. CBCI did not hold out Bacsa or allow Bacsa to appear as the owner or one with apparent authority to dispose of the diesel fuel.

Clearly, Bacsa cannot transfer title to Francisco as Bacsa was not the owner of the diesel fuel nor was he authorized by CBCI to sell its diesel fuel. CBCI did not commit any act to clothe Bacsa with apparent authority to sell the diesel fuel that would have misled Francisco. Francisco, therefore, did not acquire any title over the diesel fuel. Since CBCI was unlawfully deprived of its property, it may recover from Francisco, even if Francisco pleads good faith.

WHEREFORE, we DENY the petition. We AFFIRM the 31 May 2010 Decision and 31 August 2010 Resolution of the Court of Appeals.

SO ORDERED.

Brion, Peralta,[*]Perez, and Mendoza,**] JJ., concur

[*] Designated Acting Member per Special Order No. 1074 dated 6 September 2011.

[**]Designated Acting Member per Special Order No. 1066 dated 23 August 2011.

[1] Under Rule 45 of the Rules of Court.

[2] Rollo, pp. 7-27. Penned by Presiding Judge Andres B. Reyes, Jr., with Associate Justices Isaias P. Digidican and Stephen C. Cruz, concurring.

[3] Id. at 28-30.

[4] Id. at 150-157. Penned by Judge Celso D. Laviña.

[5] Annexes "1" to "17," Records, pp. 11-27.

[6] Id. at 196.

[7] Rollo, pp. 77-85.

[8] ART. 19. Every person must, in the exercise of his rights and in the performance of his duties, act with justice, give everyone his due, and observe honesty and good faith.

[9] ART. 20. Every person who, contrary to law, willfully or negligently causes damage to another, shall indemnify the latter for the same.

[10] ART. 21. Any person who willfully causes loss or injury to another in a manner that is contrary to morals, good customs or public policy shall compensate the latter for the damage.

[11] 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.

[12] Rollo, pp. 86-93.

[13] Id. at 94-98.

[14] Id. at 99.

[15] Records, pp. 97-113.

[16] Id. at 99-100.

[17] The first delivery on 5 April 1993 was for 10,000 liters at P66,065; Annex "1," id. at 11.

[18] Rollo, p. 157.

[19] CA rollo, pp. 12-43.

[20] Rollo, p. 27.

[21] CA rollo, p. 150.

[22] Id. at 120-124.

[23] Id. at 126-136.

[24] Rollo, p. 39.

[25] Civil Code, Art. 1173.

[26] Civil Code, Art. 1173.

[27] Arturo M. Tolentino, Civil Code of the Philippines, Vol. 4 125 (1991).

[28] Timoteo B. Aquino, Torts and Damages 92 (2001).

[29] Records, pp. 98-99.

[30] Exhibits "7" to "7-N," id. at 61-77.

[31] Civil Code, Art. 1911.

[32] Civil Code, Art. 1505.

[33] Id.

[34] Nool v. Court of Appeals, 342 Phil. 106 (1997); Segura v. Segura, 247-A Phil. 449 (1988).

[35] Civil Code, Art. 559.

[36] Civil Code, Art. 1505.

[37] Id.

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