

AUTOZENTRUM ALABANG, INC., PETITIONER, VS. SPOUSES MIAMAR A. BERNARDO AND GENARO F. BERNARDO, JR., DEPARTMENT OF TRADE AND INDUSTRY, ASIAN CARMAKERS CORPORATION, AND BAYERISHE M...

G.R. No. 214122. June 08, 2016

Ponente: CARPIO, ACTING C.J.

Read online (full-text search, related cases, audio case brief): <https://batas.org/library/g-r-no-214122/>

CARPIO, ACTING C.J.:

The Case

This petition for review[1] assails the Decision dated 30 June 2014[2] and Resolution dated 4 September 2014[3] of the Court of Appeals (CA) in CA-G.R. SP No. 127748, which affirmed the Decision dated 30 April 2012[4] of the Department of Trade and Industry (DTI).

The Facts

On 12 November 2008, respondents Spouses Miamar A. Bernardo and Genaro F. Bernardo, Jr. (Spouses Bernardo) bought a 2008 BMW 320i sports car, in the amount of P2,990,000, from petitioner Autozentrum Alabang, Inc. (Autozentrum), a domestic corporation and authorized dealer of BMW vehicles. Autozentrum was authorized to deliver a brand new car to Spouses Bernardo.[5]

On 12 October 2009, Spouses Bernardo brought the car to BMW Autohaus, the service center of respondent Asian Carmakers Corporation (ACC), because its ABS brake system and steering column malfunctioned. On 26 October 2009, six days after the car's release, Spouses Bernardo returned the car to BMW Autohaus due to the malfunctioning of the electric warning system and door lock system. Sometime in March 2010, the car was brought again to BMW Autohaus because its air conditioning unit bogged down. BMW Autohaus repaired the car under its warranty.

In September 2010, Spouses Bernardo brought the car to BMW Autohaus, under an insurance claim, for the replacement of its two front wheels due to the damage of its wishbone component. BMW Autohaus performed the repairs and discovered that one of the rear tires did not have Running Flat Technology (RFT), when all of its tires should have RFT. Upon being informed, Autozentrum replaced the ordinary tire with an RFT tire.

On 13 January 2011, Spouses Bernardo brought the car to ACC because the car's fuel tank was leaking. ACC replaced the fuel tank without cost to the Spouses Bernardo. On 17 January and 26 January 2011, Spouses Bernardo sent letters to Autozentrum, demanding for the replacement of the car or the refund of their payment.

In his letter dated 29 January 2011,[6] Autozentrum's Aftersales Manager Ron T. Campilan (Campilan) replied that the car purchased by Spouses Bernardo was certified pre-owned or used, and that Autozentrum's legal department was still examining their demand.

On 24 February 2011, Spouses Bernardo filed a complaint for refund or replacement of the car and damages with

the DTI against respondents Autozentrum, ACC, and Bayerische Motoren Werke (BMW) A.G. for violation of Article 50(b) and (c), in relation to Article 97, of the Consumer Act of the Philippines or Republic Act No. (RA) 7394.

In their Supplemental Complaint dated 23 September 2011, Spouses Bernardo alleged that they brought the car again to Autozentrum after the electrical system and programming control units malfunctioned on 4 June 2011. The car was released to them five days later, but was towed to Autozentrum on 8 August 2011, because its engine emitted smoke inside the car. Autozentrum has custody of the car until now.

The DTI Ruling

In a Decision dated 30 April 2012, DTI Hearing Officer Maria Fatima B. Pacampara (Hearing Officer) ruled that Autozentrum violated the Consumer Act of the Philippines particularly the provisions on defective products and deceptive sales. In concluding that the car was defective, the Hearing Officer considered that the major malfunctions in the car do not usually happen in such a short period of usage, and Autozentrum did not present proof that the malfunctions were caused by ordinary wear and tear.

The Hearing Officer further held Autozentrum liable for deceptive sales because the car was not brand new at the time of sale, contrary to what Autozentrum represented to Spouses Bernardo. However, the Hearing Officer exculpated ACC and BMW, since there was no proof that the defects were due to design and manufacturing, and they were not privy to the sale of the car.

The dispositive portion of the Decision reads:

WHEREFORE, in view of the foregoing, this Honorable Office finds in favor of the Complainant. The Respondent Autozentrum, having violated the provisions of the Consumer Act particularly on defective products and deceptive sales act, is hereby ordered to:

1. To pay an administrative fine of ONE HUNDRED SIXTY THOUSAND PESOS (Php160,000.00) and the additional administrative fine of not more than One Thousand Pesos (Php1,000.00) for each day of continuing violation, at the DTI-NCR Cashier's Office at the 12[th] Floor, Trafalgar Plaza, HV Dela Costa St., Salcedo Village, Makati City;
2. To refund, in favor of the Complainant, the purchase price of the subject vehicle [in the] amount of Two Million Nine Hundred and Ninety Thousand Pesos (Php2,990,000.00) for the amount of the memory stick [sic] bought from the Respondent.

SO ORDERED.[7]

In a Resolution dated 14 September 2012, the DTI Appeals Committee affirmed the findings of the Hearing Officer, but modified the amount to be reimbursed to Spouses Bernardo taking into account the depreciation of the car, as follows:

WHEREFORE, premises considered, the instant appeal is hereby dismissed. The decision finding respondent to have violated the provisions of the Consumer Act is affirmed with modification in paragraph 2 thereof. In view of the fact that the complainants had made use of the vehicle for two (2) years, the Committee modifies par. 1 of the dispositive portion of the decision pursuant to the case entitled *Sps. Eslao vs. Ford Cars Alabang*, Adm. Case No. 07-43. Said decision was appealed to the Court of Appeals through petition for certiorari (CA-G.R. SP No. 111859) and Supreme Court through petition for review on certiorari (*Ford Cars Alabang vs. Sps. Ike and Mercelita Eslao, et al.* (G.R. No. 194250) wherein the Court resolves to deny the petition for failure to show any reversible error in the challenged resolution. The decision dated 11 March 2009 in Adm. Case No. 07-43 which was partly modified in the Resolution dated 1 October 2009 of the DTI-Appeals Committee was then fully implemented. On that basis, the Committee modifies par. 2 of the dispositive portion

of the assailed decision to read as follows:

2. To reimburse the total purchase price of the subject BMW 320i unit less the beneficial use of the vehicle.

Record shows that complainant already used the vehicle for two (2) years before the filing of the complaint. In this regard, the Committee deems it proper and reasonable to apply COA Circular No. 2003-07 dated 11 December 2003 entitled Revised Estimated Useful Life in Computing Depreciation for Government Property. By analogy, such circular provides the basis for computing the depreciation value of a vehicle. Under par. 4 of the said Circular, a residual value equivalent to 10% of the acquisition cost/ appraised value shall be deducted before dividing the same by the Estimated Useful Life. Annex "A" thereof provides that the Estimated Useful Life (in years) of motor vehicles is seven (7) years.

Thus, the complainant is entitled to the reimbursement, computed as follows:

Acquisition cost x 10%

Php2,990,000.00 x 10% = Php299,000.00 (Residual Value)

Acquisition cost less the residual value

Php2,990,000.00 - Php299,000.00 = Php2,691,000.00

Php2,691,000.00/7 years (estimated useful life)= Php384,428.57

(depreciated value per year)

Depreciated value x the number of beneficial use

Php384,428.57 x 2 (the no. of years vehicle was used before filing of the complaint)= Php768,857.14

Acquisition Cost - Depreciation value for 2 years

Php2,990,000.00 - Php768,857.14 = Php2,221,142.90

(remaining value of the vehicle)

The complainant shall be reimbursed the amount of two million two hundred twenty one thousand one hundred forty two pesos and ninety centavos (Php2,221,142.90), however, the subject vehicle shall be returned to the respondent.

SO ORDERED.[8]

Hence, Autozentrum filed an appeal with the CA.

The Decision of the CA

In a Decision dated 30 June 2014, the CA ruled in favor of Spouses Bernardo. The CA found that the car was defective and not brand new. Thus, the CA held that Autozentrum should be liable under Article 1561, in relation to Article 1567, of the Civil Code, and not under Articles 97 and 98 of RA 7394. The CA ruled that a two-year depreciation value should not be deducted from the purchase price of the car, since Autozentrum did not submit proof of depreciation.

The CA also held Autozentrum liable for deceptive sales under Article 50(c) of RA 7394, because it represented an altered and second-hand vehicle as a brand new one. The dispositive portion of the Decision reads:

WHEREFORE, finding the petition for certiorari bereft of merit, the same is hereby DISMISSED. The assailed resolution of the DTI is hereby AFFIRMED with MODIFICATION in that as regards the amount of refund/reimbursement of the purchase price of the subject vehicle, petitioner is hereby ORDERED to pay the full amount of TWO MILLION NINE HUNDRED NINETY THOUSAND PESOS (Php2,990,000.00).

SO ORDERED.[9]

In a Resolution dated 4 September 2014, the CA denied the motion for reconsideration filed by Autozentrum.
Hence, this petition.

The Issues

Autozentrum raises the following issues for resolution:

- THE HONORABLE ADJUDICATING OFFICER GRAVELY ABUSED HER DISCRETION AND/OR EXCEEDED HER AUTHORITY IN RULING THAT THE PETITIONER VIOLATED ARTICLE 97 OF THE CONSUMER ACT OF THE PHILIPPINES WHEN THE LAW AND EVIDENCE CLEARLY SHOW IT DID NOT.
- THE HONORABLE ADJUDICATING OFFICER GRAVELY ABUSED HER DISCRETION IN RULING THAT THE PETITIONER HAD VIOLATED ART. 50 OF THE CONSUMER ACT OF THE PHILIPPINES (R.A. 7394) ON PROHIBITION AGAINST DECEPTIVE SALES ACTS OR PRACTICES WHEN THE FACTS OF THE CASE POINT THAT IT DID NOT.
- THE HONORABLE ADJUDICATING OFFICER GRAVELY ABUSED HER DISCRETION AND/OR EXCEEDED HER AUTHORITY IN ORDERING SOLELY THE PETITIONER TO REFUND THE ENTIRE PURCHASE PRICE OF THE SUBJECT VEHICLE.
- ASSUMING ARGUENDO THAT THE PETITIONER HAS INDEED VIOLATED THE SAID ARTS. 97 AND/OR 50 OF THE CONSUMER ACT OF THE PHILIPPINES, THE HONORABLE ADJUDICATING OFFICER [GRAVELY] ABUSED HER DISCRETION AND/OR EXCEEDED HER AUTHORITY IN IMPOSING THE AMOUNT OF THE PENALTIES IMPOSED.
- THE OFFICE OF THE DTI SECRETARY THROUGH THE APPEALS COMMITTEE COMMITTED [AN] ERROR IN AFFIRMING THE DECISION OF THE ADJUDICATING OFFICER.
- THE COURT OF APPEALS COMMITTED AN ERROR IN AFFIRMING WITH MODIFICATION THE RESOLUTION/DECISION OF THE OFFICE OF THE DTI SECRETARY AND IN DENYING PETITIONER'S MOTION FOR RECONSIDERATION.[10]

The Ruling of the Court

The petition has no merit.

Spouses Bernardo allege that Autozentrum violated Article 50(b) and (c), in relation to Article 97, of RA 7394, when it sold to them a defective and used car, instead of a brand new one. Autozentrum, however, claims that Spouses Bernardo failed to prove the elements of deceit or misrepresentation under Article 50, and injury under Article 97.

The relevant provisions of RA 7394 or the Consumer Act of the Philippines are:

Article 50. Prohibition Against Deceptive Sales Acts or Practices. - A deceptive act or practice by a seller or supplier in connection with a consumer transaction violates this Act whether it occurs before, during or after the transaction. An act or practice shall be deemed deceptive whenever the producer, manufacturer, supplier or seller, through concealment, false representation of fraudulent manipulation, induces a consumer to enter into a sales or lease transaction of any consumer product or service.

Without limiting the scope of the above paragraph, the act or practice of a seller or supplier is deceptive when it represents that:

- a) a consumer product or service has the sponsorship, approval, performance, characteristics, ingredients, accessories, uses, or benefits it does not have;

- b) a consumer product or service is of a particular standard, quality, grade, style, or model when in fact it is not;
- c) a consumer product is new, original or unused, when in fact, it is in a deteriorated, altered, reconditioned, reclaimed or second-hand state;
- d) a consumer product or service is available to the consumer for a reason that is different from the fact;
- e) a consumer product or service has been supplied in accordance with the previous representation when in fact it is not;
- f) a consumer product or service can be supplied in a quantity greater than the supplier intends;
- g) a service, or repair of a consumer product is needed when in fact it is not;
- h) a specific price advantage of a consumer product exists when in fact it does not;
- i) the sales act or practice involves or does not involve a warranty, a disclaimer of warranties, particular warranty terms or other rights, remedies or obligations if the indication is false; and
- j) the seller or supplier has a sponsorship, approval, or affiliation he does not have.

x x x x

Article 97. Liability for the Defective Products. - Any Filipino or foreign manufacturer, producer, and any importer, shall be liable for redress, independently of fault, for damages caused to consumers by defects resulting from design, manufacture, construction, assembly and erection, formulas and handling and making up, presentation or packing of their products, as well as for the insufficient or inadequate information on the use and hazards thereof.

A product is defective when it does not offer the safety rightfully expected of it, taking relevant circumstances into consideration, including but not limited to:

- a) presentation of product;
- b) use and hazards reasonably expected of it;
- c) the time it was put into circulation.

A product is not considered defective because another better quality product has been placed in the market.

The manufacturer, builder, producer or importer shall not be held liable when it evidences:

- a) that it did not place the product on the market;
- b) that although it did place the product on the market such product has no defect;
- c) that the consumer or a third party is solely at fault.[11] (Emphasis supplied)

RA 7394 specifically provides that an act of a seller is deceptive when it represents to a consumer that a product is new, original or unused, when in fact, it is deteriorated, altered, reconditioned, reclaimed or second-hand. A representation is not confined to words or positive assertions; it may consist as well of deeds, acts or artifacts of a nature calculated to mislead another and thus allow the fraud-feasor to obtain an undue advantage.[12] Failure to reveal a fact which the seller is, in good faith, bound to disclose may generally be classified as a deceptive act due to its inherent capacity to deceive.[13] Suppression of a material fact which a party is bound in good faith to disclose is equivalent to a false representation.[14]

A case where the defendant repainted an automobile, worked it over to resemble a new one and represented that the automobile being sold was new, was found to be "a false representation of an existing fact; and, if it was material and induced the plaintiff to accept something entirely different from that which he had contracted for, it

clearly was a fraud which, upon its discovery and a tender of the property back to the seller, entitled the plaintiff to rescind the trade and recover the purchase money." [15]

In the present case, both the DTI and the CA found that Autozentrum sold a defective car and represented a second-hand car as brand new to Spouses Bernardo. In finding that the evidence weighs heavily in favor of Spouses Bernardo, the DTI and the CA gave considerable weight to the following facts: (1) the condition of the car in just 11 months from the date of purchase; (2) Autozentrum's Aftersales Manager Campilan's letter declaring that the vehicle was certified pre-owned or used; (3) one of the tires was not RFT; and (4) the Land Transportation Office (LTO) registration papers stating that Autozentrum was the previous owner of the car. As public documents, the LTO registration papers are prima facie evidence of the facts stated therein. [16]

By reason of the special knowledge and expertise of the DTI over matters falling under its jurisdiction, it is in a better position to pass judgment on the issues; and its findings of fact in that regard, especially when affirmed by the CA, are generally accorded respect, if not finality, by this Court. [17]

Moreover, by claiming that its initial intention was for the car to be used by one of its executive officers, Autozentrum effectively admitted ownership of the car prior to its purchase by Spouses Bernardo. Autozentrum failed to present evidence that its intention did not occur. On the other hand, Autozentrum's registration of the car under its name and Campilan's letter bolster the fact that the car was pre-owned and used by Autozentrum. For failure to reveal its prior registration of the car in its name, and for representing an altered and second-hand car as brand new to Spouses Bernardo, Autozentrum committed a deceptive sales act, in violation of Section 50 of RA 7394.

However, Autozentrum cannot be liable under Article 97 of RA 7394 because Spouses Bernardo failed to present evidence that Autozentrum is the manufacturer, producer, or importer of the car and that damages were caused to them due to defects in design, manufacture, construction, assembly and erection, formulas and handling and making up, presentation or packing of products, as well as for the insufficient or inadequate information on the use and hazards thereof.

RA 7394 provides the penalties for deceptive, unfair, and unconscionable sales acts or practices, as follows:

Article 60. Penalties. - a) Any person who shall violate the provisions of Title III, Chapter I, shall upon conviction, be subject to a fine of not less than Five Hundred Pesos (P500.00) but not more than Ten Thousand Pesos (P10,000.00) or imprisonment of not less than five (5) months but not more than one (1) year or both, upon the discretion of the court.

b) In addition to the penalty provided for in paragraph (1), the court may grant an injunction restraining the conduct constituting the contravention of the provisions of Articles 50 and 51 and/or actual damages and such other orders as it thinks fit to redress injury to the person caused by such conduct.

x x x x

Article 164. Sanctions. - After investigation, any of the following administrative penalties may be imposed even if not prayed for in the complaint:

a) the issuance of a cease and desist order, Provided, however, That such order shall specify the acts that respondent shall cease and desist from and shall require him to submit a report of compliance therewith within a reasonable time;

b) the acceptance of a voluntary assurance of compliance or discontinuance from the respondent which may include any or all of the following terms and conditions:

1) an assurance to comply with the provisions of this Act and its implementing rules and regulations;

- 2) an assurance to refrain from engaging in unlawful acts and practices or unfair or unethical trade practices subject of the formal investigation;
 - 3) an assurance to comply with the terms and conditions specified in the consumer transaction subject of the complaint;
 - 4) an assurance to recall, replace, repair, or refund the money value of defective products distributed in commerce;
 - 5) an assurance to reimburse the [complainant] out of any money or property in connection with the complaint, including expenses in making or pursuing the complaint, if any, and to file a bond to guarantee compliance therewith.
- c) restitution or rescission of the contract without damages;
- d) condemnation and seizure of the consumer product found to be hazardous to health and safety unless the respondent files a bond to answer for any damage or injury that may arise from the continued use of the product;
- e) the imposition of administrative fines in such amount as deemed reasonable by the Secretary, which shall in no case be less than Five Hundred Pesos (P500.00) nor more than Three Hundred Thousand Pesos (P300,000.00) depending on the gravity of the offense, and an additional fine of not more than One Thousand Pesos (P1,000.00) for each day of continuing violation.[18] (Emphasis supplied)

DTI Department Administrative Order No. 007-06[19] reiterates the power of the DTI Adjudication Officer to impose the following penalties upon the respondent, if warranted, and even if these have not been prayed for by the complainant: "(3) The restitution or rescission of the contract without damages; x x x (5) The imposition of an administrative fine in such amount as deemed reasonable by the Adjudication Officer, which shall in no case be less than Five Hundred Pesos (P500.00) nor more than Three Hundred Thousand Pesos (P300,000.00) depending on the gravity of the offense, and [an] additional administrative fine of not more than One Thousand Pesos (P1,000.00) for each day of continuing violation x x x."

The DTI is tasked with protecting the consumer against deceptive, unfair, and unconscionable sales acts or practices.[20] Thus, the DTI can impose restitution or rescission of the contract without damages and payment of administrative fine ranging from P500 to P300,000, plus P1,000 for each day of continuing violation. Rescission creates the obligation to return the things which were the object of the contract, together with their fruits, and the price with its interest; consequently, it can be carried out only when he who demands rescission can return whatever he may be obliged to restore.[21] Rescission abrogates the contract from its inception and requires a mutual restitution of the benefits received.[22]

Records show that Autozentrum already possessed the car since 8 August 2011. Thus, the DTI Hearing Officer and the CA correctly applied RA 7394 and DTI Department Administrative Order No. 007-06 when they ordered Autozentrum to return to Spouses Bernardo the value of the car amounting to P2,990,000 and to pay an administrative fine of P160,000 and an additional administrative fine of not more than P1,000 for each day of continuing violation.

Section 1 of Resolution No. 796 of the Monetary Board of the Bangko Sentral ng Pilipinas dated 16 May 2013 provides: "The rate of interest for the loan or forbearance of any money, goods or credits and the rate allowed in judgments, in the absence of an express contract as to such rate of interest, shall be six percent (6%) per annum." Thus, Autozentrum is ordered to pay the value of the car amounting to P2,990,000, with a legal interest rate of 6% per annum from the finality of this Decision until the amount is fully paid.

WHEREFORE, we DENY the petition and AFFIRM with MODIFICATION the Decision dated 30 June 2014 and Resolution dated 4 September 2014 of the Court of Appeals in CA-G.R. SP No. 127748. We ORDER petitioner Autozentrum Alabang, Inc. to RETURN to respondents Spouses Miamar A. Bernardo and Genaro F. Bernardo, Jr. the value of the car amounting to P2,990,000, with 6% interest per annum from the finality of this Decision until the amount is fully paid.

SO ORDERED.

Del Castillo, Mendoza, and Leonen, JJ., concur.

Brion, J., on official leave.

[1] Rollo, pp. 11-38. Under Rule 45 of the 1997 Rules of Civil Procedure.

[2] Id. at 60-73. Penned by Associate Justice Romeo F. Barza, with Associate Justices Hakim S. Abdulwahid and Ramon A. Cruz concurring.

[3] Id. at 74-76.

[4] Id. at 39-50. Penned by Hearing Officer Maria Fatima B. Pacampara.

[5] Id. at 182.

[6] Id. at 185-186.

[7] Id. at 49-50.

[8] Id. at 57 and 59.

[9] Id. at 72-73.

[10] Id. at 17-18.

[11] The Consumer Act of the Philippines, Articles 50 and 97.

[12] *Guinhawa v. People of the Philippines*, 505 Phil. 383 (2005).

[13] Id., citing *Testo v. Russ Dunmire Oldsmobile, Inc.*, 83 A.L.R., 3rd ed., p. 680 (1976); 554 P.2d 349.

[14] Id., citing *Tyler v. Savage*, 143 U.S. 79, 12 S.Ct. 340, 36 L.Ed. 82.

[15] Id., citing *Snellgrove v. Dingelhof*, 103 S.E. 418 (1920).

[16] Rules of Court, Rule 132, Section 23 states: "Documents consisting of entries in public records made in the performance of a duty by a public officer are prima facie evidence of the facts therein stated. All other public documents are evidence, even against a third person, of the fact which gave rise to their execution and of the date of the latter."

[17] *Aowa Electronic Philippines, Inc. v. Department of Trade and Industry*, 664 Phil. 233 (2011).

[18] The Consumer Act of the Philippines, Articles 60 and 164.

[19] Dated 14 July 2006.

[20] The Consumer Act of the Philippines, Articles 48 and 49.

[21] Civil Code of the Philippines, Article 1385.

[22] Supercars Management & Development Corporation v. Flores, 487 Phil. 259 (2004).

ABOUT BATAS.ORG

Study smarter at BATAS.org

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

The complete Philippine law library - free for everyone.

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

Audio case-brief lectures.

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

Bar review built on the science of memory.

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

The full law-school curriculum.

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

Mock exams that tell you where you stand.

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

A study planner that keeps you on pace.

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

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

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

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

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