

G. HOLDINGS, INC., PETITIONER, VS. CAGAYAN ELECTRIC POWER AND LIGHT COMPANY, INC. (CEPALCO) AND FERROCHROME PHILIPPINES, INC., RESPONDENTS.

G.R. No. 226213. September 27, 2017

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CAGUIOA, J:

This is a petition for review on certiorari[1] (Petition) under Rule 45 of the Rules of Court assailing the Decision[2] dated April 14, 2016 of the Court of Appeals[3] (CA) in CA-G.R. CV No. 03366-MIN and the Resolution[4] dated July 25, 2016 denying the motion for reconsideration filed by petitioner, G. Holdings, Inc. (GHI). The CA Decision denied the appeal and affirmed the Decision[5] dated July 22, 2013 of the Regional Trial Court of Misamis Oriental, 10th Judicial Region, Branch 38, Cagayan de Oro City (RTC-CDO) in Civil Case No. 2004-111.

Facts and Antecedent Proceedings

From March 1990, Cagayan Electric Power and Light Company, Inc. (CEPALCO), which operates a light and power distribution system in Cagayan de Oro City, supplied power to the ferro-alloy smelting plant of Ferrochrome Philippines, Inc.[6] (FPI) at the PHIVIDEK Industrial Estate in Tagoloan, Misamis Oriental.[7] When FPI defaulted in the payment of its electric power bills amounting to P16,301,588.06 as of March 1996, CEPALCO demanded payment thereof.[8] FPI paid CEPALCO on three separate dates the total amount of P13,161,916.44, leaving a balance of P2,899,859.15.[9] FPI failed again to pay its subsequent electricity bills, thereby increasing its unpaid electric bills to P29,509,240.89 as of May 1996.[10] For failure to pay FPI's outstanding bills, CEPALCO disconnected the electric power supply to FPI in May 1996.[11] After sending a statement of account with P30,147,835.65 unpaid bills plus 2% monthly surcharge, CEPALCO filed a collection suit (Civil Case No. 65789) against FPI in July 1996 before the Regional Trial Court of Pasig City, Branch 264 (RTC-Pasig).[12]

RTC-Pasig rendered a Decision (Partial Summary Judgment) dated April 22, 1999 in favor of CEPALCO, ordering FPI to pay CEPALCO P25,608,579.98.[13] On January 19, 2004, RTC-Pasig rendered its Decision[14] in favor of CEPALCO, affirming the P25,608,579.98 award for basic cost of energy consumed (given in the Partial Summary Judgment), and ordering the payment of P2,364,703.80 for contracted energy or energy differential and surcharges, PHIVIDEK royalty and franchise tax.[15]

On February 27, 2004, FPI appealed the Decision of the RTC-Pasig to the CA (CA G.R. CV No. 86228 [CEPALCO collection case]).[16]

CEPALCO moved for execution pending appeal, which was granted by RTC-Pasig.[17] The writ of execution was issued on March 30, 2004.[18] FPI filed before the CA a certiorari petition with prayer for temporary restraining order (TRO) and preliminary injunction (CA G.R. SP No. 83224 [CEPALCO execution case]).[19]

In the meantime, Sheriff Renato B. Baron (Baron) of RTC-Pasig issued notices of levy upon personal and real

properties dated April 1 and 2, 2004 and notices of sale on execution of personal and real properties dated April 1, 2004.[20]

In CA G.R. SP No. 83224 (CEPALCO execution case), the CA issued an initial TRO in its Resolution dated April 6, 2004 and then a writ of preliminary injunction in its Resolution dated June 11, 2004, enjoining the implementation of the Order granting execution pending appeal.[21]

On April 5, 2004, GHI filed a case (Civil Case No. 2004-111) against Sheriff Baron, CEPALCO and FPI for Nullification of Sheriffs Levy on Execution and Auction Sale, Recovery of Possession of Properties and Damages before the RTC-CDO.[22] GHI claimed that the levied ferro-alloy smelting facility, properties and equipment are owned by it as evidenced by a Deed of Assignment[23] dated March 11, 2003 (the Deed of Assignment) executed by FPI in consideration of P50,366,926.71.[24]

In the unilateral Deed of Assignment, FPI, as the assignor, through its stockholders and Board of Directors' duly authorized representative and Acting President, Juanito E. Figueroa, in consideration of obligations amounting to P50,366,926.71 as of December 31, 2002, inclusive of the interest charges, assigned, transferred, ceded and conveyed absolutely in favor of GHI, as the assignee, "all of the [assignor's] properties, equipment and facilities, located in Phividec Industrial Estate, Tagoloan, Misamis Oriental and more particularly described in the attached schedules as Annexes 'I', 'II', 'III', 'IV' and 'V'." [25]

Prior to the Deed of Assignment, FPI sent to GFII a letter[26] dated February 28, 2003 wherein the manner by which the obligation of FPI amounting to P50,366,926.71 (as of December 31, 2002) would be addressed per their earlier discussions was confirmed, to wit:

- The obligation of FPI to G. Holdings amounting to P50,366,926.71 (as of December 31, 2002) shall be covered by assignment of certain FPI assets sufficient to cover the obligations even at today's depressed metal prices.
- The right to the work process owned by FPI shall be made available to G. Holdings under the following options[:]

Option A

As soon as metal prices and major costs justify, FPI shall at its capital and expense operate the plant including the assets transferred to G. Holdings. Revenue shall be shared with G. Holdings at the rate of 20% of EBITDA (Earnings Before Interest[, Taxes, Depreciation and Amortization.]

A minimum of P10.0 million annually shall be shared by G. Holdings. The [c]ost of maintenance and upkeep of assets shall be covered by FPI.

Option B

[G.] Holdings shall be the entity to operate the plant and business with its capital and expense.

As owner of the rights to the work process, FPI shall be entitled to a share of 10% in the EBITDA with a minimum of P7.5 million per year.

This arrangement shall be for a minimum of 8 years after which G. Holdings can acquire the rights for an amount equal to P36.0 M.

All financial requirements shall be shouldered by G. Holdings x x x.

- The option shall be decided by G. Holdings within a three[-]year period beyond which the choice shall be made by FPI within a 3[-] year period. The cycle will be repeated if the plant has not operated for six years

from assignment.[27]

The letter bears the conformity of GHI.[28]

CEPALCO filed its answer with compulsory counterclaim and cross-claim.[29] In its counterclaim, CEPALCO assailed the validity of the Deed of Assignment executed by FPI in favor of GHI in payment of alleged advances from GHI (sister company of FPI) from 1998 to 2002 amounting to ₱50,366,926.71, inclusive of interest, as of December 2002. CEPALCO contended that the Deed of Assignment was null and void for being absolutely simulated and, as a dacion en pago, it did not bear the conformity of the creditor. GHI and FPI have substantially the same directors. The Deed of Assignment was in fraud of FPI's creditors as it was made after the RTC-Pasig had already rendered a partial judgment in favor of CEPALCO and was, therefore, rescissible.[30]

In the meantime, the CA rendered its Decision dated August 14, 2008 in CA G.R. CV No. 86228 (CEPALCO collection case) granting FPI's appeal in part and the RTC-Pasig Decision was affirmed but modified by deleting the award of the PHIVIDEC royalty of 1%.[31] FPI elevated the CA Decision to the Court and was docketed as G.R. No. 185892.[32] In April 2010, the Court denied FPI's petition in its Resolution dated April 21, 2010 for failure of FPI to sufficiently show that the CA committed any reversible error in the challenged decision and resolution to warrant the Court's discretionary appellate jurisdiction.[33]

In CA G.R. SP No. 83224 (CEPALCO execution case), the CA dismissed FPI's petition for lack of merit and affirmed the assailed orders of the RTC-Pasig, and FPI's motion for reconsideration was likewise denied.[34]

The RTC-CDO Ruling

Going back to the RTC-CDO case (Civil Case No. 2004-111), the origin of the present case, a Decision[35] dated July 22, 2013 was rendered in favor of CEPALCO and against GHI: (1) rescinding the Deed of Assignment; (2) ordering GHI to pay CEPALCO actual and exemplary damages as well as attorney's fees; and (3) lifting the writ of preliminary injunction.[36]

The rescission of the Deed of Assignment by the RTC-CDO was anchored on the presence of several badges of fraud, to wit: (a) the consideration of the assignment was ₱50 million while the value of the assets of FPI amounted to ₱280 million; (b) the existence of the "Outokumpo" work process of smelting (which was allegedly more valuable than the smelting facility subject of the assignment and without which the smelting facility could not be operated), as well as its value, were not sufficiently established; (c) the assignment of all or substantially all of FPI's assets was made when FPI was suffering financially and after the rendition of the partial judgment in favor of CEPALCO; and (d) GHI did not take exclusive possession of the assets assigned to it.[37]

The dispositive portion of the RTC-CDO Decision states:

WHEREFORE, judgment is hereby rendered in favor of defendant CEPALCO against G Holdings Inc. as follows:

- Rescinding the Deed of Assignment dated March 11, 2003 between G Holdings Inc. in favor of Ferrochrome Philippines Inc.;

- Ordering G [H]oldings Inc. to pay defendant CEPALCO the following:

2.a Actual damages in the amount of ₱256,587.48;

2.b Exemplary damages in the amount of ₱1,000,000.00; and

2.c Attorney's Fees in the amount of ₱500,000.00

- Lifting the Writ of Preliminary Injunction and finding G. [H]oldings Inc. and Oriental Assurance Corporation liable on the Php1 Million Preliminary Injunction Bond to partially satisfy the foregoing sums.
- Costs against G Holdings, Inc.

SO ORDERED.[38]

GHI appealed the RTC-CDO Decision to the CA.[39] The appeal was docketed as CA-G.R. CV No. 03366-MIN.[40]

The CA Ruling

In its Decision[41] dated April 14, 2016, the CA denied the appeal and affirmed the RTC-CDO Decision. The CA ruled that the RTC-CDO correctly found the existence of fraud or deliberate intent on the part of FPI and GHI to defraud CEPALCO. The agreement between GHI and FPI where GHI was given the option to operate the smelting facility using the alleged "Outokumpo" work process which FPI retained, subject to payment of an agreed amount to FPI as owner of the rights of the work process, was designed to keep the smelting facility intact and insulated against execution in satisfaction of CEPALCO's judgment credit. The CA also ruled that the Deed of Assignment was absolutely simulated and having been executed after the Partial Summary Judgment rendered by the RTC-Pasig, it was done in anticipation of the adverse final outcome of the RTC-Pasig case. Regarding GHI's contention that CEPALCO failed to pay the filing fees, the CA noted that CEPALCO filed its Answer with Compulsory Counterclaim and Cross-claim on April 26, 2004. At that time, the CA reasoned that CEPALCO was not yet liable to pay filing fees. Under Rule 141, Section 7, as amended by A.M. No. 04-2-04-SC, docket fees were required to be paid for compulsory counterclaims and cross-claims effective only on August 16, 2004.[42]

The dispositive portion of the CA Decision states:

WHEREFORE, the instant appeal is DENIED. The Decision dated 22 July 2013 of the Regional Trial Court, 10th Judicial Region, Branch 38, Cagayan de Oro City, in Civil Case No. 2004-111 is hereby AFFIRMED.

SO ORDERED.[43]

GHI filed a motion for reconsideration, which was denied in a Resolution[44] dated July 25, 2016.

Hence, this Petition. CEPALCO filed its Comment[45] dated May 12, 2017.

Issues

Whether the CA erred in not dismissing CEPALCO's permissive counterclaim for non-payment of docket fees.

Whether the CA erred in holding that the Deed of Assignment was absolutely simulated.

Whether the CA erred in rescinding the Deed of Assignment absent an independent action for rescission.

Whether the CA erred in holding that the Deed of Assignment was done in fraud of creditors and badges of fraud accompanied its execution.

Whether GHI is entitled to its claims for damages.[46]

The Court's Ruling

Filing Fees of CEPALCO's Counterclaim

In justifying the non-payment of filing fees on the counterclaim of CEPALCO, the CA ruled:

As for the absence of filing fees, it is noteworthy that CEPALCO filed its Answer with Compulsory

Counterclaim and Cross-Claim on 26 April 2004. At that time, CEPALCO was not yet liable to pay filing fees. The Supreme Court stressed, however, that effective 16 August 2004 under Rule 141, Section 7, as amended by A.M. No. 04-2-04-SC, docket fees are required to be paid for compulsory counterclaims and cross-claims.[47]

As to the cause of action of GHI in its Complaint in Civil Case No. 2004-111 (RTC-CDO case), the caption states that it is for: "FOR INJUNCTION AND NULLIFICATION OF SHERIFF'S LEVY ON EXECUTION AND AUCTION SALE; RECOVERY OF POSSESSION OF PROPERTIES; AND DAMAGES, WITH PRAYER FOR ISSUANCE OF TEMPORARY RESTRAINING ORDER AND WRIT OF PRELIMINARY INJUNCTION." [48] In its second cause of action, GHI alleges that it is "entitled to the immediate return and restitution of said [transportation and] mobile equipment." [49] In the Complaint's prayer, GHI seeks the return of the possession of such properties to GHI, "the rightful owner thereof." [50] As basis of its claim of ownership, GHI alleges in the Complaint that:

x x x The smelter facility/properties subject of sheriffs Notice of Levy Upon Personal Property and Notice of Levy Upon Real Property are owned by GHI, having acquired the same through a Deed of Assignment of March 11, 2003 executed by FPI in favor of GHI, in consideration of x x x [P]50,366,926.71 x x x paid by GHI. x x x [51]

In light of the foregoing, CEPALCO's counterclaim and prayer for rescission of the Deed of Assignment can only be viewed, as it is indeed, a compulsory counterclaim because it "arises out of or is connected with the transaction or occurrence constituting the subject matter of the opposing party's claim and does not require for its adjudication the presence of third parties of whom the court cannot acquire jurisdiction." [52] Being a compulsory counterclaim, the CA was correct when it ruled that as of the filing of CEPALCO's Answer with Compulsory Counterclaim and Cross-Claim on April 26, 2004, it was not liable to pay filing fees on its compulsory counterclaim. Thus, on the first issue, the CA committed no reversible error when it did not order the dismissal of CEPALCO's counterclaim, which is compulsory, for non-payment of docket fees.

Efficacy of the Deed of Assignment

Since the second, third and fourth issues concern the legal effect or efficacy, if any, of the Deed of Assignment between GHI and FPI, they will be discussed together. It is noted, however, that the legality or efficacy of the Deed of Assignment is attacked in the second issue as being absolutely simulated, while, in the third and fourth issues, it is claimed to be rescissible for having been undertaken in fraud of creditors, given the presence of badges of fraud in its execution.

Under the Civil Code, there are four defective contracts, namely: (1) rescissible contracts; (2) voidable contracts; (3) unenforceable contracts; and (4) void or inexistent contracts. However, it has been opined that, strictly speaking, only the voidable and unenforceable contracts are defective contracts and are the only ones susceptible of ratification unlike the rescissible ones which suffer from no defect and the void or inexistent contracts which do not exist and are absolute nullity. [53] Thus, the four may be more appropriately categorized as species or forms of the inefficacy of contracts. [54]

Since the Deed of Assignment is being questioned for being both rescissible and, at the same time, an absolute simulation, it may be apropos to compare rescissible contracts with void or inexistent contracts.

Rescission has been defined as a remedy to make ineffective a contract validly entered into and which is obligatory under normal conditions by reason of external causes resulting in a pecuniary prejudice to one of the contracting parties or their creditors. [55] Rescission, which is a specie or form of the inefficacy of contracts and operates by law and not through the will of the parties, requires the following: (1) a contract initially valid and (2)

a lesion or pecuniary prejudice to someone.[56]

Under Article 1381 of the Civil Code, the following contracts are rescissible: (1) those which are entered into by guardians whenever the wards whom they represent suffer lesion by more than one-fourth of the value of the things which are the object thereof; (2) those agreed upon in representation of absentees, if the latter suffer the lesion stated in the preceding number; (3) those undertaken in fraud of creditors when the latter cannot in any manner collect the claims due them; (4) those which refer to things under litigation if they have been entered into by the defendant without the knowledge and approval of the litigants or of competent judicial authority; and (5) all other contracts specially declared by law to be subject to rescission.

It is further provided under Article 1383 that the action for rescission is a subsidiary one, and cannot thus be instituted except when the party suffering damage has no other legal means to obtain reparation for the same.

On the other hand, void or inexistent contracts are those which are ipso jure prevented from producing their effects and are considered as inexistent from the very beginning because of certain imperfections.[57]

Under Article 1409 of the Civil Code, the following contracts are inexistent and void from the beginning: (1) those whose cause, object or purpose is contrary to law, morals, good customs, public order or public policy; (2) those which are absolutely simulated or fictitious; (3) those whose cause or object did not exist at the time of the transaction; (4) those whose object is outside the commerce of men; (5) those which contemplate an impossible service; (6) those where the intention of the parties relative to the principal object of the contract cannot be ascertained; and (7) those expressly prohibited or declared void by law.

These contracts cannot be ratified and the right to set up the defense of illegality cannot be waived.[58] Further, the action or defense for the declaration of the inexistence of a contract does not prescribe.

Rescission and nullity can be distinguished in the following manner: (a) by reason of the basis — rescission is based on prejudice, while nullity is based on a vice or defect of one of the essential elements of a contract; (2) by reason of purpose — rescission is a reparation of damages, while nullity is a sanction; (3) by reason of effects — rescission affects private interest while nullity affects public interest; (4) by reason of nature of action — rescission is subsidiary while nullity is a principal action; (5) by reason of the party who can bring action — rescission can be brought by a third person while nullity can only be brought by a party; and (6) by reason of susceptibility to ratification — rescissible contracts need not be ratified while void contracts cannot be ratified.[59]

They can likewise be distinguished as follows: (1) as to defect: In rescissible contracts, there is damage or injury either to one of the contracting parties or to third persons; while in void or inexistent contracts, one or some of the essential requisites of a valid contract are lacking in fact or in law; (2) As to effect: The first are considered valid and enforceable until they are rescinded by a competent court; while the latter do not, as a general rule, produce any legal effect; (3) As to prescriptibility of action or defense: In the first, the action for rescission may prescribe; while in the latter, the action for declaration of nullity or inexistence or the defense of nullity or inexistence does not prescribe; (4) As to susceptibility of ratification: The first are not susceptible of ratification, but are susceptible of convalidation; while the latter are not susceptible of ratification; (5) As to who may assail contracts: The first may be assailed not only by a contracting party but even by a third person who is prejudiced or damaged by the contract; while the latter may be assailed not only by a contracting party but even by a third party whose interest is directly affected; (6) As to how contracts may be assailed: the first may be assailed directly, and not collaterally; while the latter may be assailed directly or collaterally.[60]

The enumerations and distinctions above indicate that rescissible contracts and void or inexistent contracts belong to two mutually exclusive groups. A void or inexistent contract cannot at the same time be a rescissible contract,

and vice versa. The latter, being valid and until rescinded, is efficacious while the former is invalid. There is, however, a distinction between inexistent contracts and void ones as to their effects. Inexistent contracts produce no legal effect whatsoever in accordance with the principle "quod nullum est nullum producit effectum"[61] In case of void contracts where the nullity proceeds from the illegality of the cause of object, when executed (and not merely executory) they have the effect of barring any action by the guilty to recover what he has already given under the contract.[62]

The RTC-CDO ruled the Deed of Assignment as a rescissible contract and ordered its rescission. However, the CA, while affirming the RTC-CDO Decision, stated that it "agree[d] with the RTC[-CDO] that the Deed of Assignment was absolutely simulated"[63] and, at the same time, noted that "the RTC-CDO correctly found the existence of fraud or deliberate intent on the part of FPI and GHI to defraud CEPALCO." [64] Unfortunately, however, and contrary to what the CA declared, nowhere is it ruled in the RTC-CDO Decision that the Deed of Assignment was absolutely simulated.

Given a seemingly conflicting finding or ruling by the RTC-CDO and the CA as to the classification of the Deed of Assignment — whether rescissible or inexistent, it behooves the Court to resolve the conflict.

Under Article 1345 of the Civil Code, simulation of a contract may be absolute, when the parties do not intend to be bound at all, or relative, when the parties conceal their true agreement. The former is known as *contracto simulado* while the latter is known as *contracto disimulado*. [65] An absolutely simulated or fictitious contract is void while a relatively simulated contract when it does not prejudice a third person and is not intended for any purpose contrary to law, morals, good customs, public order or public policy binds the parties to their real agreement. [66]

In *Vda. de Rodriguez v. Rodriguez*, [67] the Court, speaking through the renowned civilist, Justice J.B.L. Reyes, stated that:

x x x the characteristic of simulation is the fact that the apparent contract is not really desired or intended to produce legal effects or in any way alter the juridical situation of the parties. Thus, where a person, in order to place his property beyond the reach of his creditors, simulates a transfer of it to another, he does not really intend to divest himself of his title and control of the property; hence, the deed of transfer is but a sham. x x x [68]

The Court, in *Heirs of Spouses Intac v. CA*, [69] reiterated that:

In absolute simulation, there is a colorable contract but it has no substance as the parties have no intention to be bound by it. "The main characteristic of an absolute simulation is that the apparent contract is not really desired or intended to produce legal effect or in any way alter the juridical situation of the parties." "As a result, an absolutely simulated or fictitious contract is void, and the parties may recover from each other what they may have given under the contract." [70]

In the Deed of Assignment, did FPI intend to divest itself of its title and control of the properties assigned therein?

The lack of intention on the part of FPI to divest its ownership and control of "all of [its] properties, equipment and facilities, located in Phividec Industrial Estate, Tagoloan, Misamis Oriental" [71] — in spite of the wordings in the Deed of Assignment that FPI "assigned, transferred, ceded and conveyed [them] x x x absolutely in favor of [GHI]" [72] — is evident from the letter dated February 28, 2003 which reveals the true intention of FPI and GHI.

In the letter dated February 28, 2003, it is there provided that the right to the work process, otherwise known as "Outokumpo," was to be retained by FPI and would only be made available to GHI under two options. One option even gave FPI the option to operate the assigned assets with the obligation to pay GHI a guaranteed revenue.

While GHI was given the first crack to choose which of the two options to take, such chosen option would only last for three years, and subsequently, FPI would make the choice and the option chosen by FPI would last for the next three years. The cycle would then be repeated if the ferro-alloy plant would not be operated for six years from assignment.[73] What is evident, therefore, in the delineation of the different options available to FPI and GHI in the settlement of FPI's obligations to the latter is that FPI did not intend to really assign its assets "absolutely" to GHI. Stated differently, this letter belies the wordings of the Deed of Assignment that, it should be emphasized, was executed a mere 11 days after the letter, that is, on March 11, 2003.

That there was no intention to absolutely assign to GHI all of FPI's assets was confirmed by the finding of the RTC-CDO that, according to FPI's Acting President, Juanito E. Figueroa, "GHI cannot operate the [equipment, machinery and smelting facilities] without the patented 'Outokumpo' process and GHI has not been operating the same." [74] Moreover, the equipment and machinery remain physically in the plant premises, slowly depreciating with the passage of time, and, worse, there also appears to be no effective delivery as the premises on which these are located remain under the control of FPI which continues to employ the security and skeletal personnel in the plant premises.[75]

Thus, in executing the Deed of Assignment, FPI's intention was not to transfer absolutely the assigned assets (admittedly valued at about P280 Million[76]) to GHI in payment of FPI's obligations to GHI amounting to P50,366,926.71.[77] FPI, as shown above, did not really intend to divest itself of its title and control of the assigned properties. FPI's real intention was, borrowing the words of Justice J.B.L. Reyes in *Rodriguez*, to place them beyond the reach of its creditor CEPALCO. This was astutely observed by the CA Decision, viz.:

x x x The Deed of Assignment was executed while Civil Case No. 65789 was already pending with the RTC-Pasig and after the Partial Summary Judgment was rendered on 22 April 1999. In anticipation of the adverse final outcome of Civil Case No. 65789 as promulgated in the 19 January 2004 Decision of the RTC-Pasig, GHI and FPI executed the Deed of Assignment. Hence, the presumption of fraud set in by operation of the law against the sister companies, FPI, then already the judgment debtor, and GHI.[78]

As to the presence of badges of fraud, which the RTC-CDO found to have existed and affirmed by the CA, they do, in fact, confirm the intention of FPI to defraud CEPALCO. But these findings do not thereby render as rescissible the Deed of Assignment under Article 1381(3). Rather, they fortify the finding that the Deed of Assignment was "not really desired or intended to produce legal effects or in any way alter the juridical situation of the parties" or, put differently, that the Deed of Assignment was a sham, or a *contracto simulado*.

Thus, given the foregoing, the Deed of Assignment is declared inexistent for being absolutely simulated or fictitious. Accordingly, the CA correctly ruled that the Deed of Assignment was absolutely simulated, although it was in error in affirming the rescission ordered by the RTC-CDO because, as explained above, rescissible contracts and void or inexistent contracts belong to two mutually exclusive groups. This error, however, does not justify the granting of the Petition.

Entitlement to Damages

The Court's declaration of the inexistence of the Deed of Assignment renders the resolution of the fifth issue — on GHI's entitlement to damages — superfluous. Instead, the dismissal of its complaint for lack of cause of action is warranted.

WHEREFORE, the Petition is hereby DENIED for lack of merit. The Court of Appeals' Decision dated April 14, 2016 and Resolution dated July 25, 2016 in CA-G.R. CV No. 03366-MIN as well as the Decision dated July 22, 2013 of the Regional Trial Court of Cagayan de Oro City, Branch 38 in Civil Case No. 2004-111 are hereby AFFIRMED with MODIFICATIONS. The Deed of Assignment dated March 11, 2003 executed by respondent

Ferrochrome Philippines, Inc. in favor of petitioner G. Holdings, Inc. is declared inexistent for being absolutely simulated; the complaint of petitioner G. Holdings, Inc. is dismissed for lack of cause of action; and pursuant to *Nacar v. Gallery Frames*,^[79] the total amount awarded in the RTC-CDO Decision shall earn 6% interest per year from the date of finality of this Decision until fully paid.

SO ORDERED.

Peralta,^[**] (Acting Chairperson), Perlas-Bernabe, and Reyes, Jr., JJ., concur.
Carpio, J., on official leave.

[**] Per Special Order No. 2487 dated September 19, 2017.

[1] Rollo (Vol. I), pp. 33-80 (exclusive of Annexes).

[2] *Id.* at 9-22. Penned by Associate Justice Maria Filomena D. Singh, with Associate Justices Edgardo A. Camello and Perpetua T. Atal-Paño concurring.

[3] Twenty-Second Division.

[4] Rollo (Vol. I), pp. 24-25.

[5] Rollo (Vol. III), pp. 1035-1045. Penned by Judge Emmanuel P. Pasal.

[6] In the Certificate of Filing of Amended Articles of Incorporation dated November 15, 1995, the name of the corporation is Ferro-Chrome Philippines, Inc. Rollo (Vol. I), p. 361.

[7] Rollo (Vol. I), p. 10.

[8] *Id.*

[9] *Id.*

[10] *Id.*

[11] *Id.*

[12] *Id.*

[13] *Id.* at 10-11.

[14] *Id.* at 128-147. Penned by Judge Leoncio M. Janolo, Jr.

[15] *Id.* at 11-12, 146-147.

[16] *Id.* at 12.

[17] Pursuant to the Order dated March 22, 2004 of RTC-Pasig, *id.* at 148-152.

[18] Rollo (Vol. I), pp. 153-155.

[19] *Id.* at 13.

[20] *Id.* at 157-174.

[21] *Id.* at 13-14.

[22] *Id.* at 14.

[23] Id. at 87-88.

[24] Rollo (Vol. III), p. 1035.

[25] Rollo (Vol. I), p. 87; emphasis and underscoring supplied.

[26] Exhibit "R" of G. Holdings, Inc., id. at 411-412.

[27] Id.

[28] Id. at 412.

[29] Id. at 14.

[30] Rollo (Vol. III), pp. 1036, 1037.

[31] Rollo (Vol. I), p. 14.

[32] Id.

[33] Id. at 14-15.

[34] Id. at 15.

[35] Rollo (Vol. III), pp. 1035-1045.

[36] Rollo (Vol. I), p. 15; id. at 1045.

[37] Id. at 1040-1044.

[38] Id. at 1045.

[39] See rollo (Vol. I), pp. 9, 16.

[40] See id. at 9.

[41] Id. at 9-22.

[42] Id. at 17-21.

[43] Id. at 21.

[44] Id. at 24-25.

[45] Rollo (Vol. III), pp. 1179-1219.

[46] Rollo (Vol. I), pp. 46-47.

[47] Id. at 21; citation omitted.

[48] Id. at 113.

[49] These are: 2 units Payloader W90 (Komatsu), 2 units Forklifts (Toyota & Komatsu), 1 unit small Payloader, and 1 Truck (Isuzu ICCB 437). Id. at 118, 122.

[50] Rollo (Vol. I), p. 126.

[51] Id. at 117.

[52] RULES OF COURT, Rule 6, Sec. 7.

[53] Eduardo P. Caguioa, COMMENTS AND CASES ON CIVIL LAW CIVIL CODE OF THE PHILIPPINES, Vol. IV (1983 Rev. 2[nd] Ed.), p. 596.

[54] See id. at 597.

[55] Id. at 596, citing 20 Mucius Scaevola, p. 866.

[56] Id. at 596-597, citing 1 Castan, 8[th] ed., Part II, p. 655.

[57] Id. at 636, citing 3 Castan, 8[th] ed., pp. 438-440.

[58] CIVIL CODE, Art. 1409, last par.

[59] Caguioa, supra note 53, at 597 and 638.

[60] Desiderio P. Jurado, COMMENTS AND JURISPRUDENCE ON OBLIGATIONS AND CONTRACTS (1987 9[th] Rev. Ed.), pp. 488-489 and 490.

[61] Id. at 566, citing 3 Castan, 7[th] Ed., p. 409.

[62] Id.

[63] CA Decision dated April 14, 2016, rollo (Vol. I), p. 18.

[64] Id. at 19.

[65] Caguioa, supra note 53, at 552.

[66] CIVIL CODE, Art. 1346.

[67] 127 Phil. 294 (1967).

[68] Id. at 301-302.

[69] 697 Phil. 373 (2012).

[70] Id. at 384; citations omitted.

[71] Rollo (Vol. I), p. 87.

[72] Id.

[73] Id. at 411-412.

[74] RTC-CDO Decision dated July 22, 2013, rollo (Vol. III), p. 1043.

[75] Id.

[76] Id. at 1042 and 1044.

[77] See id. at 1042.

[78] CA Decision dated April 14, 2016, id. at 18-19.

[79] 716 Phil. 267 (2013).

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