

LUZON BROKERAGE CORPORATION, PETITIONER, VS. COURT OF APPEALS AND MANILA BANKING CORPORATION, RESPONDENTS.

G.R. No. 43619. August 16, 1989

Ponente: NARVASA, J.

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NARVASA, J.:

The proceedings at bar had their inception in a contract entitled "Field Warehouse Storage Agreement" executed by Luzon Brokerage Corporation and Pacific Copra Export Co., Inc.¹ Under this contract, Luzon Brokerage Corporation (hereafter simply LUZON) undertook to operate field warehouses in Davao City and Mati, Davao, which were needed by Pacific Copra Export Co., Inc. (hereafter simply PACOCO) for the storage of copra.² In implementation of the agreement, PACOCO subsequently leased to LUZON two (2) warehouses under separate contracts denominated "Field Warehouse Leases,"³ one of the warehouses being located at Zamora Street, Mati, Davao City.⁴

Conformably with these arrangements, LUZON received from PACOCO from time to time quantities of copra resecada issuing the corresponding Field Warehouse Receipts therefor. Two (2) of these receipts were:

1) Field Warehouse Receipt No. 917,¹ in which LUZON acknowledged to have received at Warehouse No. 8-DM, Mati, Davao, 500 long tons of copra resecada -

“ ** for the account of and to be delivered without surrender of said warehouse receipt upon written order of the Bank of America, NT & SA, Manila, for Wells Fargo Bank, San Francisco, California, pledgee for Paxsmo, Inc., San Francisco, California, covering Letter of Credit No. 13325;”

and

2) Field Warehouse Receipt No. 997,² in which LUZON acknowledged having received from PACOCO at the same Warehouse 8-DM, 250 long tons of copra resecada -

“** for the account of and to be delivered without surrender of said warehouse receipt upon written order of the Philippine National Bank, Manila, for Wells Fargo Bank, San Francisco, California, pledgee for Paxsmo, Inc., San Francisco, California, covering Letter of Credit No. 14727.”

Both field warehouse receipts inter alia stipulated that the copra deposited was "subject to lien for storage, handling and other charges, as per contract and lease with the industry served."³

After the Field Warehouse Storage Agreement had been in effect for about four (4) years, LUZON learned that the Manila Banking Corporation had asked the Provincial Sheriff of Davao to sell at public auction 42 tons of the copra deposited at the LUZON?PACOCO warehouse at Mati, Davao, with a value of not less than P23,530.00, in satisfaction of PACOCO's indebtedness to said Bank.⁴ That indebtedness had been incurred in connection with (1) an Overdraft Agreement executed between the bank (hereafter simply MANILABANK) to secure which PACOCO had executed a Deed of Assignment of Inventory, assigning to MANILABANK all its right, title and interest in and to the 4,100 long tons of copra valued at P1,500,600.00 deposited in its various warehouses in

Visayas and Mindanao, including 600 long tons at its warehouse at Mati, Davao;⁵ and (2) and an Amendment of the Overdraft Agreement in relation to which PACOCO executed a chattel mortgage over all the copra deposited in its various warehouses, including that at Mati, Davao.¹

LUZON forthwith filed suit in the Court of First Instance of Davao against MANILABANK, PACOCO and the Davao Provincial Sheriff. In its complaint,² LUZON (1) alleged substantially the foregoing facts; (2) asserted that notwithstanding that under the terms of its receipts and the Warehouse Receipts Law (Act No. 2137) it had not only the right to keep the copra in its custody until its lien had been satisfied, but also the obligation "to deliver ** (the copra) only upon surrender of the warehouse receipts or 'upon written order' of the entities named therein,"³ "MANILABANK and/or PACOCO without satisfying said lien, or surrendering said receipts, or obtaining ** (its) consent or the written order of the entities named therein," were threatening to cause the sale at public auction of "at least 42 tons of said copra deposited at the bodega in Mati, Davao, with a value of not less than P23,530.00;" and (3) prayed that the Court (a) issue first a preliminary, and later a perpetual, injunction to restrain the defendants, their agents or deputies from selling the copra in question and from molesting it in its possession; and (b) condemn MANILABANK and PACOCO to pay it "not less than P5,000.00 by way of attorney's fees and other necessary expenses of litigation," as well as the costs of suit. The Court issued a preliminary injunction, as prayed for,⁴ but this was dissolved not long afterwards upon agreement of the parties that the sale of the copra should go on, but the proceeds would remain on deposit with the MANILABANK subject to final disposition by the Court.⁵

Only MANILABANK and the Provincial Sheriff filed an answer to the complaint. In its amended answer (with compulsory counterclaim),⁶ MANILABANK -

1) admitted having asked its co-defendant, the Provincial Sheriff, to extra-judicially sell at public auction the copra deposited at the bodega at Mati, Davao but alleged that the request "was within the valid exercise of its rights as the registered chattel mortgagee and it was under no obligation to secure the consent of plaintiff or the entities named in the alleged warehouse receipts, who indisputably possess no right superior to those of the ** (bank);" and that, moreover, it had never been informed of the existence of the warehouse receipts or of LUZON's alleged lien thereunder; and

2) averred that the very warehousing agreement between LUZON and PACOCO provided that there had to be an adjustment of actual cost (of salaries of employees in the storing and handling of commodities) as well as the presentation of invoices (for expenses incident to conducting any warehouse and maintaining possession of the commodities for the benefit of warehouse receipt holders and the depositor) before the obligations in favor of LUZON for storage, handling and other charges could become due and demandable; but no averment to this effect is contained in the complaint which therefore fails, on this account, to state a cause of action.

The Trial Court¹ found for LUZON, after due proceedings. It declared that -

... the disputed 42 tons of copra could not have been among those mortgaged by the ** (PACOCO) in favor of ** (MANILABANK). It is true that under paragraph (d) of the chattel mortgage executed by ** (PACOCO) in favor of ** (MANILABANK), it was the duty of the former to replace the mortgaged property with similar property of the same value, kind and quantity should the same be sold but there is no proof that the 42 tons of copra deposited in the Mati bodega sought to be sold at public auction by defendant provincial sheriff of Davao belonged to ** (PACOCO) and were among those mortgaged to the ** (MANILABANK). In fact, Atty. Asedillo, witness for the defendant bank, admitted that he had no way of knowing whether the copra subject of the suit was included in the 100 long tons of copra deposited in Mati, mortgaged to the ** (MANILABANK) as appearing in Exhibit 6.

Its judgment declared LUZON entitled to the proceeds of the sale of the 42 long tons of copra in the amount of

P21,474.20, at the time on deposit with the Davao Branch of the Bank of the Philippine Islands, and authorized it (a) to withdraw said amount from the bank and, (b) after deducting therefrom the amount of P7,300.00 representing storage charges due it, to deliver the remainder to the party entitled thereto in accordance with the terms of the corresponding warehouse receipts.

This judgment, on appeal by MANILABANK,² was affirmed by the Court of Appeals.³

On motion for reconsideration filed by the bank, however, the Court rendered a Resolution setting aside its original decision and entering another, "dismissing the complaint and ordering the plaintiff-appellee (LUZON), on the appellant's (MANILABANK's) counterclaim, to pay ** (the latter) P23,530.00 as actual damages, and P5,000.00 for and as attorneys' fees and expenses of litigation, and ** the costs."¹ The Resolution sustained MANILABANK's contention (a) that the Field Warehouse Storage Agreement satisfactorily demonstrates PACOCO to be the owner of the 42 tons of copra; (b) that there was no evidence proving that either Paxsmo Inc. or Wells Fargo Bank -- mentioned in the field warehouse receipts² -- ever entered into a pledge agreement over the copra in question; and (c) that even assuming otherwise, the pledge could not bind either PACOCO or MANILABANK, they not being parties thereto.³ It sustained, too, MANILABANK's argument that the copra deposited in the bodega at Mati, Davao, actually conformed to the quality of copra mortgaged to the bank, the testimony of its credit investigator, Vicente Tuazon, to this effect never having been disputed.⁴ It also found from the evidence that LUZON was not in truth a warehouseman, but merely an employee or dummy of PACOCO.⁵ Finally, it ruled that, as maintained by MANILABANK, the Trial Court's disposition of the proceeds of the sale was erroneous for, as already stated, (a) Paxsmo Inc. and Wells Fargo in fact had no existing pledge contract over the copra, (b) a warehouseman could not set up title to the deposited goods in himself, or set up a third person's right or title as a defense to an action brought by a depositor or person claiming under him for the delivery of the goods, and (c) no one other than MANILABANK had in truth laid claim to the copra, and even assuming there were other claimants, the remedy of LUZON, as warehouseman, was to file an action for interpleader, either as an original suit or as a defense to an action for recovery of the goods deposited.⁶ Subsequently, LUZON's motion for reconsideration was denied for lack of merit.⁷

LUZON has appealed to this Court, disputing all the Appellate Court's findings just specified.⁸ Its appeal is without merit.

The Appellate Court's findings impugned by LUZON are essentially factual, having been made in relation to the following issues -

- 1) whether or not the evidence shows PACOCO to be the owner of the 42 tons of copra in question;
- 2) whether or not the evidence establishes that a pledge had been executed over the copra between Paxsmo Inc., as pledgor, and Wells Fargo Bank, as pledgee;
- 3) whether or not the evidence shows that the 42 tons of copra were among those covered by The Deed of Chattel Mortgage executed by PACOCO in favor of MANILABANK; and
- 4) whether or not the proofs adduced by the parties show that LUZON was not a bona fide warehouseman, but merely an employee or dummy of PACOCO.

The conclusions of the Court of Appeals on the foregoing issues were reached not only after consideration of the points set forth in MANILABANK's motion for reconsideration of its original decision -- as to which LUZON presented no opposition despite having been given an opportunity to do so -- but also, and more importantly, after another "thorough examination" and "appraisal," and "careful analysis" of the evidence.¹ Those conclusions, to repeat, are factual, having been made as regards the truth or falsity of avowed events or posited actualities, or as

regards the respective probative value of the parties' testimonial and documentary evidence,² conclusions requiring prior calibration of the proofs, i.e., the credibility of witnesses and evidentiary worth of documents, the existence and relevancy of specific surrounding circumstances, their relation to each other and to the whole, and the probabilities of the situation.³ And it was on the basis of the factual conclusions thus arrived at that the Appellate Tribunal ordered dismissal of LUZON's complaint and condemned it to pay MANILABANK, on its counterclaim, actual damages, attorney's fees and expenses of litigation, and the costs of suit .⁴

Now, as this Court has time and again stressed, it is axiomatic that the judgment of the Court of Appeals is conclusive as to the facts and may not be reviewed by this Court.⁵ The doctrine is, to be sure, subject to certain specific exceptions⁶ none of which, however, obtains here.

LUZON's attempt, by an adroit formulation of the issues raised in its petition and taken up at some length in its brief, to characterize those issues as legal, instead of factual -- hence properly cognizable by this Court -- is unconvincing and fails of its purpose. Its arguments on this matter appear to run along two main themes: that the Court of Appeals incurred in error of law because it reversed, upon MANILABANK's motion for reconsideration, earlier findings made in its original decision, and said Court's reappraisal of the evidence runs counter to LUZON's perception of how that evidence should be weighed or evaluated. To that end the earlier findings are repeatedly juxtaposed against those made in the resolution of reversal, and it is sought to explain in some detail why the former were, in the view of said petitioner, correct and the latter erroneous.

It goes without saying, however, that every court has the power and indeed the duty to review and amend or reverse its findings and decisions when its attention is timely called to any error or defect therein. Simply because the Appellate Court has done that here and revised its earlier findings to reflect what it felt to be a more correct appraisal of the weight and preponderance of the evidence than it had originally made, does not justify a recourse to this Court that is normally precluded by law and rule, absent any showing of grave abuse of discretion or similar extraordinary circumstance clearly calling for the exercise of this Court's power of review. Still less does the reconsideration and reversal by the Court of Appeals of its original decision work a transformation of what were essentially findings of fact into conclusions of law which may be reviewed by this Court. The most cursory perusal of LUZON's brief will show that, as already stated, the findings complained of were made upon such disputed matters of fact as who actually owned the copra subject of the parties' contending claims, whether or not it was covered by the chattel mortgage executed by MANILABANK in favor of PACOCO, and whether PACOCO is a bona fide warehouseman or merely an employee or dummy of LUZON. Evidence pro and con as to such controverted facts having been received, and been passed upon by the Court of Appeals in arriving at its now-questioned findings, this Court will not undertake to review those findings merely because the petitioner accounts them erroneous based on its own perception of the relative worth and weight of such evidence.

At any rate, a review of the record shows no substantial reason to reverse or modify in any way the Appellate Court's questioned Resolution.

WHEREFORE, the petition for review on certiorari is DENIED for lack of merit, and the Resolution of the Court of Appeals subject thereof is AFFIRMED in toto. Costs against petitioner.

Cruz, Gancayco, Griño-Aquino, and Medialdea, JJ., concur.

1 The contract was dated June 28, 1960 and a copy thereof was presented in evidence in the Trial Court as plaintiff's Exh. A.

2 Rollo, p. 96

3 The leases were executed on August 28, 1960 and November 19, 1964, and were marked in evidence in the Trial Court as Exhibits B and C.

4 Rollo, p. 96

1 Dated July 16, 1964: Exh. D: rollo, p. 96; emphasis supplied

2 Dated Aug. 4, 1964: Exh. E: rollo, p. 97; emphasis supplied

3 Record on Appeal (Rollo, p. 44), pp. 35, 37

4 Id., p. 11

5 Copy marked as Exhibit 1 in the proceedings before the Trial Court

1 Exh. 2, in the proceedings before the Trial Court

2 Docketed as Civil Case No. 4461: Rec. on App. (Rollo, p. 44), pp. 1, 7-38

3 Said entities being, respectively: Bank of America, NT & SA, Manila (as regards FWR 917), and Philippine National Bank, Manila (as regards FWR 997), pledgees for Paxsmo, Inc., San Francisco, California

4 Rec. on App. (Rollo, p. 44), pp. 39-40

5 Id., pp. 60-62

6 Id., pp. 62 et seq.

1 Presided over by Hon. Vicente Cusi

2 Docketed as CA-G.R. No. 41041-R

3 The judgment was rendered on September 16, 1975, the ponente being Busran, J., with Reyes and Ramos, JJ., concurring.

1 The Resolution was promulgated on March 9, 1976: Rollo, pp. 37-40

2 See footnotes 1 and 2 and related text, at p. 2, supra

3 Rollo, p. 38

4 Id., p. 39

5 Ibid.; the conclusion, according to the Court, being clearly indicated by the fact that the monthly rental being paid by LUZON was unconscionable: P1.00, for a warehouse "capable of storing 1,200 long tons of copra"

6 Id., pp. 39-40

7 Rollo, p.13

8 Id., p. 14

1 Rollo, pp. 38, 39, 40

2 Ramos v. Pepsi-Cola Bottling Co. of the Phil., 19 SCRA 289, 292

3 SEE Lim v. Calaguas, 83 Phil. 796, 799; Mackay Radio & Tel. Co. v. Rich, 28 SCRA 699, 705, cited in Moran, Comments on the Rules, 1979 ed., vol. 2, p. 474; Sta. Ana v. Hernandez, 18 SCRA 973, 978

4 SEE footnote 1 at p. 5, *supra*

5 SEE, e.g., *Ramirez Tel. Corp. v. Bank of America*, 29 SCRA 191, 198 and the numerous cases on the point collated in *Moran, op. cit.*, at pp. 474-475

6 *Ramos v. Pepsi-Cola Bottling Co.*, 19 SCRA 289, *supra*; *Evangelista v. Alto Surety & Ins. Co.*, L-11139, April 23, 1958

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