

**GOVERNMENT SERVICE INSURANCE SYSTEM,
PETITIONER-APPELLANT, VS. THE COURT OF APPEALS AND
AGRICULTURAL CREDIT ADMINISTRATION (ACA),
RESPONDENTS-APPELLEES.**

G.R. No. 52080. May 28, 1993

Ponente: MELO, J.

Read online (full-text search, related cases, audio case brief): <https://batas.org/library/g-r-no-52080/>

MELO, J.:

Before us is a petition for review on certiorari seeking the annulment of respondent court's resolutions dated May 7, 1979 and November 23, 1979 rendered in CA-G.R. No. 59286-R.

The facts of the case, as established by the record, being undisputed, we quote with approval the following concise summary thereof made by petitioner Government Service Insurance System (GSIS) in its brief filed before respondent court:

On June 20, 1961, Fire Policy No. N--29704 (Exh. 533 and D) was issued by the Property Insurance Fund of the defendant-appellee Government Service Insurance System (GSIS) to cover the insurance of various grades of Virginia leaf tobacco owned by the plaintiff-appellant and stored in Warehouse F belonging to the Philippine Tobacco Flue-Curing and Redrying Corporation (PTFC & RC), located at Baesa, Novaliches, Quezon City, with a declared value of P21,459,575.66 and for the period from July 1, 1961 to July 1, 1962.

On November 17, 1961 another Fire Policy No. N-30871 (Exhs. 534 and H) was issued by the Property Insurance Fund of the GSIS to cover the insurance of various grades of Virginia leaf tobacco belonging to the plaintiff-appellant and stored in the said Warehouse F, with the declared value of P2,048,518.50 and for the period from September 30, 1961 to September 30, 1962.

The said insurance policies provide among other things that in the event of loss, whether total or partial, the amount thereof shall be subject to appraisal and that the liability of the GSIS, if established shall be limited to the actual loss, subject to the applicable terms, conditions, warranties and clauses of the policies, and in no case to exceed the amount of the policies. This is the open policy clause of the said insurance policies. (Exhs. 533-A-1 and 534-A-1).

On February 15, 1962 at about 7:20 in the evening thereof, a fire occurred which burned the said Warehouse F and practically all the tobacco stored therein. As already stated, the said warehouse was owned by the Philippine Tobacco Flue-Curing and Redrying Corporation, then controlled by the well-known Harry Stonehill. The said warehouse is one of the warehouses in the Baesa compound of the PTFC & RC.

Subsequently, plaintiff-appellant filed with the GSIS its fire claim, Exhs. N--1 to N-4.

Pursuant to the open policy clause of the insurance policies, the GSIS, as is the practice in the insurance business, employed three insurance adjusters to ascertain the actual loss suffered by the plaintiff-appellant. Said adjusters are the Manila Adjustment Company, H. H. Bayne Adjustment Company and the Allied Adjustment Company. The said adjusters examined the records of the plaintiff-appellant and of the Philippine

Tobacco Flue-Curing and Redrying Corporation and they employed two tobacco experts to assist them in evaluating the loss of the plaintiff-appellant. Said tobacco experts were Mr. George Flagg and Edrington S. Penn. After the adjusters, with the assistance of Mr. Flagg and Penn, had verified the records of the plaintiff-appellant and of the PTFC & RC and had employed the hogshead metal strap recovery method, the said adjusters rendered a report on September 25, 1962 (Exh. 538) and a final report on September 25, 1963 (Exhs. 29 to 529-F; also marked as Exhs. Q to Q-6 and Exhs. 537 to 537-H). In said final report, the adjusters recommended as the basis for the adjustment of appellant's claims the amount of P12,557,968.68. Their verification showed that only 15,467 hogshead of tobacco of various grades were inside the Warehouse F at the time of the fire.

Plaintiff-appellant refused to accept the correctness of the said report and so conferences were had between the officials of plaintiff-appellant and the GSIS, together with the adjusters, and as a result, the GSIS offered as final payment of the appellant's claim the amount of P13,500,000.00. Said offer was embodied in the letter of December 7, 1964 of then General Manager Ramon A. Diaz, which reads as follows:

"Please be advised that we are now preparing partial payment of the captioned loss in the amount of P2,295,873.21. We shall effect payment of the balance (of the P13,500,000.00 proposed settlement) as soon as possible.

"We sincerely believe that the amount of P13,500,000.00 is just and fair indemnity for the loss. Inasmuch as that office refused to execute the required Sworn Statement in Proof of Loss, we wish to ask your written agreement to the following conditions (which were embodied in our letter of July 17, 1964 to the Central Bank of the Philippines) before we remit the above-mentioned partial payment and subsequent payments of the balance:

"1. In the event that ACA claims for additional indemnity (in excess of the amount of P13,500,000.00) the burden of proving such additional claim shall be its own responsibility.

"2 That should ACA be able to present additional proof and evidence for additional indemnity, the same shall be referred for adjudication to a competent court.

(Ex. EE; Exh. 530; pp. 13-14, tsn, May 19, 1972)

Plaintiff-appellant accepted the offer and its acceptance is embodied in the letter of Mr. Amado A. Lansang, Officer-in-Charge, dated December 16, 1964. Thus, the body of said letter, Exh. FF (also Exh. 631) reads as follows:

"In attention to your letter of December 7th which was transmitted to us by the Central Bank under its 1st Indorsement dated December 14, 1964, please be advised that we agree to the following condition set by you in your aforesaid letters, viz: -

"1. That in the event ACA claims for further indemnity in excess of the amount of P13,500,000.00, the burden of proving such additional amount shall be of ACA's responsibility.

"2. That ACA shall present additional proof and evidence for further indemnity to a competent court for adjudication."

(pp. 14-16, tsn, May 19, 1972)

Pursuant to the said agreement of the parties, the GSIS paid to the plaintiff-appellant the amount of P13,500,000.00. (p. 17, tsn, May 19, 1972).

Since it claims that its loss from the fire is P23,610,571.61, the plaintiff-appellant filed the present action in Court, praying among other things, that the defendant-appellee be ordered to pay the difference of P10,110,571.61 (p. 11, Record on Appeal) (pp. 2-7, Brief for Defendant-Appellee Government Service

Insurance System; p. 83, Rollo)

ACA's complaint was filed with the then Court of First Instance of Manila on September 21, 1965 and docketed as Civil Case No. 62683. On September 9, 1975, the trial court rendered a decision dismissing the complaint. ACA appealed to respondent Court of Appeals where the appeal was docketed as CA-G.R. No. 59286-R. On December 29, 1978 respondent court promulgated its decision affirming the decision of the trial court (de Castro (P), Reyes, Sundiam, JJ.). However, upon ACA's motion, respondent court issued a resolution (penned by Justice Samuel Reyes who had taken over from Justice Pacifico de Castro due to the latter's promotion to the Supreme Court; and with the addition of Justice Isidro Borromeo as third member) on May 7, 1979, the dispositive portion of which reads as follows:

WHEREFORE, the Motion for Reconsideration is hereby GRANTED and consequently, the decision in this case dated December 29, 1978 is REVERSED, thus, entitling plaintiff-appellant the balance of P10,110,571.61 on the two (2) fire insurance policies issued by defendant-appellee covering its tobacco stocks stored at the PTFC & REC Warehouse "F". (p. 77, Rollo)

On July 16, 1979, GSIS filed a motion for reconsideration of the resolution of May 7, 1979, and on November 23, 1979, the respondent court issued a resolution denying the motion for reconsideration.

Hence, the present petition under the following assigned errors.

I

Respondent Court of Appeals erred in its Resolution of May 7, 1979 and November 23, 1979 in making a wrong interpretation and application of the term "additional proof and evidence for further indemnity" as stipulated in the agreement of the parties.

II

Respondent Court of Appeals erred in its Resolution of May 7, 1979 and Nov. 23, 1979 in not sustaining the interpretation and application of said term as originally made by respondent Court of Appeals in its Decision of December 29, 1978.

III

Respondent Court of Appeals erred in refusing, and thus committed a grave abuse of discretion, to make a physical count of the withdrawals of tobacco hogsheads indicated in ACA's own evidence, Exhibits QQ to QQ-2024, in the face of the repeated protestations of petitioner GSIS that the allegation of ACA's witness, Patrocinio Torres, that the withdrawals recorded in said exhibits totalled only 12,922 hogsheads is a brazen lie.

IV

Respondent Court of Appeals erred in not finding that the withdrawals recorded in ACA's Exhibits QQ to QQ-2024 totalled 15,679 hogsheads of tobacco, and not just 12,922 hogsheads.

V

Respondent Court of Appeals erred in totally ignoring and in not finding that there were additional withdrawals of 1,994 hogsheads as shown in Exhs. 134 to 368.

VI

Respondent Court of Appeals erred in concluding that ACA's evidence on the withdrawals is correct since such conclusion is not supported by the evidence on record and adduced during the trial.

VII

Respondent Court of Appeals erred in making a glaring misapprehension of fact in concluding that Joseph Singh confirmed ACA's contention that the tobacco stocks were intact at the time of the fire, as the evidence is clear that what were brought out of the warehouse were the contents of the tobacco hogsheads stored there.

VIII

Respondent Court of Appeals erred in not finding that the whole contents of warehouse F were substituted with rotten tobacco before the fire.

IX

Respondent Court of Appeals erred in not sustaining its original decision of December 29, 1978 and the decision of the trial court.

X

Respondent Court of Appeals erred in not dismissing the complaint of respondent-appellee Agricultural Credit Administration. (pp. 1-4, Brief for Petitioner-Appellant Government Service Insurance System; p. 160, Rollo)

The decisive issue involved in the case at bar is the quantity of tobacco stored in Warehouse "F" at the time said warehouse was totally destroyed by fire on February 15, 1962. Petitioner GSIS maintains that a total of 17,623 hogsheads of tobacco were withdrawn from Warehouse "F" before the fire occurred. On the other hand, respondent ACA contends that only 12,922 hogsheads of tobacco were withdrawn.

Before resolving said issue, we shall dispose of an incidental issue which appears to preoccupy both parties, i.e., whether or not the testimony of ACA's witnesses, Dorotea Toledo, Aurelio B. de Jesus, Demetrio P. Tabije, and Patrocinio Torres, is "additional proof of evidence" within the contemplation of the letter of offer of GSIS dated December 7, 1964 and the letter of acceptance of ACA dated December 16, 1964. The discussion by the parties of said issue is a futile exercise in semantics.

The Constitution of the Republic of the Philippines vests upon the Supreme Court the power to promulgate rules concerning pleading, practice and procedure in all courts (par. 5, sec. 4, art. VIII, Constitution). Even the provision in both the 1935 and the 1973 Constitutions that the rules of court promulgated by the Supreme Court may be "repealed, altered or supplemented" by the legislature does not appear in the 1987 Constitution. Parties have, therefore, no discretion or power to alter, modify or circumscribe the rules on evidence to suit their particular needs in a case brought before the courts.

We, therefore, rule that the admissibility of the testimony of ACA's witnesses must be determined by the rules of court. Since said testimony is relevant to the facts in issue and said witnesses are competent witnesses, we hold that said testimony is admissible in evidence and we shall take it into consideration in resolving the issue involved.

As a general rule the findings of fact of the Court of Appeals are binding upon this Court (*De Gala--Sison vs. Manalo*, 8 SCRA 595 [1963]; *Chan vs. Court of Appeals*, 33 SCRA 737 [1970]; *Evangelista & Co., vs. Santos*, 51 SCRA 416 [1973]). However, said rule admits of exceptions. The exceptions, as set forth in *Macadangdang vs.*

Court of Appeals (100 SCRA 73 [1980]) are:

The findings of facts of the Court of Appeals are conclusive on the parties and on the Supreme Court, unless (1) the conclusion is a finding grounded entirely on speculation, surmise, and conjectures; (2) the inference made is manifestly mistaken; (3) there is grave abuse of discretion; (4) the judgment is based on misapprehension of facts; (5) the Court of Appeals went beyond the issues of the case and its findings are contrary to the admission of both appellant and appellee; (6) the findings of facts of the Court of Appeals are contrary to those of the trial court; (7) said findings of facts are conclusions without citation of specific evidence on which they are based; (8) the facts set forth in the petition as well as in the petitioner's main and reply briefs are not disputed by the respondents; and (9) when the finding of facts of the Court of Appeals is premised on the absence of evidence and is contradicted by evidence on record.

This Court retains the power to review and rectify findings of fact of the Court of Appeals where said court manifestly overlooked, ignored, or misinterpreted certain facts or circumstances of weight and significance (*Carolina Industries, Inc., vs. CMS Stock Brokerage*, 97 SCRA 734 [1980]; *People vs. Arciaga*, 98 SCRA 1 [1980]). Considering that the findings of fact of the Court of Appeals conflict with those of the trial court, the exercise of our power of review over the decision of the Court of Appeals is not unjustified.

As afore-mentioned, the quantity of tobacco delivered to Warehouse "F" is not in dispute. The issue in dispute is the quantity of tobacco withdrawn from said warehouse before the fire of February 15, 1962. Withdrawals of tobacco from Warehouse "F" are recorded in the Delivery Order and Tally-Out Sheets, Exhibits QQ to Q-2022 and Exhibits 134 to 368.

The Court of Appeals, in its resolution of May 7, 1979, mainly based its findings, that 120,270 hogsheads of tobacco were stored in Warehouse "F" immediately before the fire, on Exhibit GG, a summary of the withdrawals based on Exhibits QQ to QQ-2022. The Court of Appeals should not have merely relied on the summary but should have gone to the original sources and the bases thereof and should have scrutinized Exhibits QQ to QQ-2022 and Exhibits 134 to 368, the tally-out sheets for these are the primary documents recording each and every withdrawal of tobacco from the warehouse at the time of delivery. These exhibits constitute the best evidence to prove the withdrawal of tobacco from the warehouse.

Nor may the tally sheet summary be of any significance. The contents of the tally sheet summary were supposed to have been merely copied from the weighers' tally sheets prepared right at the ramps. The inability of SVTPA to produce the original of the weighers' tally sheets or even explain its non-production creates the impression that no delivery was actually made. As testified to by plaintiff's witness Maria Malabanan, the weighers' tally sheets are prepared at the same time that the weighing and grading of the delivered tobacco are made in the presence of the respective grader and the weigher of FVTR and PVTA.

x x x

x x x

x x x

The best evidence available, therefore, is that which relates directly or has a direct connection with the delivery. And these are the documents prepared at the moment of delivery and which affirm the presence of the tobacco delivered at the FVTR warehouse. (*Santiago Virginia Tobacco Planters Asso., Inc., vs. Philippine Virginia Tobacco Administration*, 31 SCRA 528, 538-541 [1970])

According to Exhibits QQ to QQ-2022, the withdrawals of tobacco from Warehouse "F" during the period 1955 to 1959 were as follows:

Crop Year 1955

Number of Hogsheads

Exhs. QQ-452 to QQ-463 -----

87

“ QQ-465 to QQ-466 -----

13

“ QQ-500 to QQ-502 -----

23

“ QQ-652 -----

2

“ QQ-678-A -----

1

Total -----

126

Crop Year 1956:

Exhs. QQ, QQ-1 to QQ-35 -----

320

“ QQ-79 to QQ-115 -----

276

“ QQ-117 to Q-157 -----

316

“ QQ-244 to QQ-323 -----

691

“ QQ-325 to QQ-449 -----

980

“ QQ-451 -----

22

“ QQ-464 -----

7

“ QQ-467 to QQ- 499 -----

299

“ QQ-503 to QQ-651 -----

1,170

“ QQ-653 -----

5

“ QQ-655 to QQ-674 -----

162

“ QQ-678 -----

184

“ QQ-704 to QQ-751 -----

742

“ QQ-756 to QQ-764 -----

122

“ QQ-1022 -----

52

Total -----

5,348

Crop Year 1957:

Exhs. QQ-36 to QQ-78 -----

414

" QQ-116 -----

15

" QQ-158 to QQ-201 -----

404

" QQ-202 to QQ-243 -----

309

" QQ-324 -----

6

" QQ-450 -----

7

Total -----

1,155

Crop Year 1958:

Exhs. QQ-654 -----

2

“ QQ-675 to QQ-678-B -----

60

“ QQ-679 to QQ-703 -----

295

“ QQ-752 to QQ-755 -----

1,150

“ QQ-765 to QQ-767 -----

800

“ QQ-999 -----

5

“ QQ-1003 to QQ-1021 -----

185

“ QQ-1023 to QQ-1027 -----

336

“ QQ-1029 to QQ-1061 -----

246

“ QQ-1064 to QQ-1214 -----

1,238

Total -----

4,317

Crop Year 1959:

Exhs. QQ-1215 to QQ-1425 -----

1,226

" QQ-1426 to QQ-1770 -----

2,019

" QQ-1771 to QQ-2024 -----

1,478

Total -----

4,723

(pp. 40-41, Rollo)

Adding the withdrawal by crop years, we arrive at the following figures:

Crop Year 1955 ----- 126 Hogsheads

Crop year 1956 ----- 5,348 "

Crop Year 1957 ----- 1,155 "

Crop Year 1958 ----- 4,317 "

Crop Year 1959 ----- 4,723 "

Total ----- 15,669 Hogsheads

(p. 41, Rollo)

Therefore, according to ACA's own documentary evidence, 15,669 hogshead of tobacco were withdrawn from the warehouse from 1955 to 1959.

In addition thereto, Exhibits 134 to 368, delivery orders dated August 13 to 16, 1959, indicate that there were further withdrawals of 1,944 hogsheads from the warehouse during said period. 15,669 hogsheads plus 1944 additional hogsheads, gives us a total of 17,613 hogsheads of tobacco withdrawn from the warehouse. Deducting 17,613 hogsheads of tobacco from the total receipt of 33,090 hogsheads of tobacco gives a total of 15,457 tobacco hogsheads inside the warehouse at the time of the fire on February 15, 1962. The documentary evidence on record, therefore, clearly supports the position of petitioner GSIS.

The presentation of the testimony of ACA's witnesses, Doroteo Toledo, Aurelio B. de Jesus, Demetrio P. Tabije, and Patronicio Torres is nothing but a convoluted attempt of ACA to minimize and neutralize the impact of Exhibits QQ to QQ-2022 and Exhibits 134 to 368. Their testimony consisted mainly in trying to explain away, vary, and modify the meaning and significance of Exhibits QQ to QQ-2022 and Exhibits 134 to 368. Their testimony cannot prevail over the documentary evidence, Exhibits QQ to QQ-2022 and Exhibits 134 to 368. Testimonial evidence is easy of fabrication and there is very little room for choice between testimonial evidence and documentary evidence (*Marvel Building Corporation vs. David*, 94 Phil. 376 [1954]). Generally, documentary evidence prevails over testimonial evidence.

WHEREFORE, the resolution dated May 7, 1979, as well as that of November 23, 1979, of respondent Court of Appeals are hereby ANNULLED and SET ASIDE and the complaint filed in Civil Case No. 62683 is hereby DISMISSED.

SO ORDERED.

Feliciano, (Chairman), Bidin, Davide, Jr., and Romero, JJ., concur.

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.