

LETTY HAHN, PETITIONER, VS. COURT OF APPEALS, JOSIE M. SANTOS AND FRANCISCO SANTOS, RESPONDENTS.

G.R. No. 55372. May 31, 1989

Ponente: CRUZ, J.

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CRUZ, J.:

It is said that diamonds are a girl's best friend, but private respondent Josie M. Santos may have her doubts about this. The fact is that they have caused her not a little difficulty, and her troubles are not yet over. This case was decided against her by the trial court and later by the respondent court which, however, mitigated the judgment of the former. The petitioner does not like this and wants the earlier decision reinstated. That is why she is now before this Court.

The basic facts as determined by the trial court[1] and affirmed by the respondent court[2] are no longer in issue. It has been established that Santos received two diamond rings with a total value of P47,000.00 in 1966 from the petitioner. She issued separate receipts therefor in which she acknowledged that they had been delivered by Letty Hahn to her for sale on commission and that they would be returned upon demand if unsold.[3] The rings were not sold nor were they returned when demanded by Hahn.

Hahn sued for recovery of the rings or their value. While the civil case was pending, she also filed a criminal action for estafa against Santos. Santos was acquitted on reasonable doubt.[4] In the civil action, however, where she also pleaded that the contracts between her and Hahn were not of agency but of sale, Santos did not fare as well.

The trial court ordered her to return the two rings or pay the plaintiff their value, which was increased to P65,000.00, with legal interest, plus P10,000 moral damages, P5,000 exemplary damages, and P6,000.00 attorney's fees.[5] The increase on the original value of the rings was based on Article 1250 of the Civil Code calling for an adjustment of the payment due in case of extraordinary inflation or deflation. The moral and exemplary damages were imposed because of the defendant's "seeming lack of scruples and conscientiousness."

On appeal, this decision was modified. The Court of Appeals found that Article 1250 was not applicable and that the appellant had not acted in bad faith or with malice. Accordingly, it rendered judgment:

A. Ordering the defendants to return to the plaintiff the two rings in question; to pay plaintiff legal interest on the value of the ring, P47,000.00, from the time of the filing of the complaint until restitution is made; and attorney's fees in the amount of P6,000.00.

B. Sentencing the defendants, in case return of the rings is no longer feasible, to pay to the plaintiff the value thereof, which is P47,000.00, with interest at the legal rate from the time of the filing of the complaint until full payment and P6,000.00 attorney's fees.[6]

In challenging this decision, the petitioner contends that the respondent erred in not allowing an upward adjustment of the original price of the two rings and in disallowing the moral and exemplary damages granted by

the trial court. These are the issues in this petition.

On the first question, the petitioner cites Central Bank figures to show that the amount of P47,000.00 in 1966, when the obligation to return it or the rings fell due, was equivalent to about P235,000.00 in 1980 (and necessarily to an even higher amount now in view of the continued reduction in the purchasing power of the peso). As the increase ordered by the trial court (to P65,000.00 on August 7, 1971) was a finding of fact based on official figures, the Court of Appeals was not justified in reversing the same.

The petitioner also argues that the award of moral and exemplary damages by the trial court was entirely justified and should not have been disallowed by the respondent court. The reason is that there was sufficient showing that the private respondent had acted with malice and in bad faith toward the petitioner who had trusted her.

Thus, Santos misrepresented her agreements with the petitioner as contracts of sale when the very language of the receipts she herself had written and signed clearly shows that she was receiving the rings in trust from the petitioner, as later found in both the criminal and civil cases.[7] Second, she claimed she had made installment payments directly and personally to the petitioner during the period from August 14 to November 20, 1966, and when this lie was exposed with evidence that the petitioner was abroad during that period, changed her testimony to make it appear that the alleged payments had been made when Hahn was in the country.[8] In fact, the finding of the trial court as sustained by the respondent court was that she had made no payment at all at any time.[9] Third, when Santos offered to return the solitaire ring to the petitioner, the latter readily saw that it was not the same ring she had entrusted to the private respondent, who evidently wanted to foist another deception upon her.[10]

For her part, the private respondent dismisses the claim for upward adjustment of the amount due and says Article 1250 of the Civil Code is not applicable, there being no inflation or deflation. The Central Bank statistics Hahn invokes are hearsay and immaterial. Not in point either is the case of *Zulueta v. PanAmerican World Airways*,[11] as cited by the petitioner, where the issue of inflation was not even raised. Moreover, the delay in the payment of the amount due was imputable not to her but to the petitioner, who had unreasonably prevented her from discharging her obligation.

As early as December of 1966, she says she had offered to return the marquissette ring to the petitioner but the petitioner's lawyer, acting on her instructions, refused to accept it and demanded the return also of the P35,000.00 solitaire ring.[12] She offered to pay for this other ring on installment but this offer was also rejected.[13] At the trial of the criminal case against her, she brought the solitaire ring to prove that she had not disposed of it, but the petitioner denied it was the ring she had delivered to the accused.[14] Still later, she offered to pay for both rings on installment, but the offer was also rejected without reason by the petitioner.[15] In sum, it is the petitioner who has delayed payment of the amount due and not the private respondent, who was ready to settle her obligation.

The trial court cited no legal basis for its upward adjustment of the original amount due although the reason was presumably Article 1250 of the Civil Code. We agree with the respondent court that such adjustment was erroneous for, as explained by Justice Serafin M. Cuevas (later a member of this Court):

We, however, find the contention of appellant under her fifth assignment of error - that the lower court erred in applying the floating rate to the purely peso transaction - to be meritorious.

In this regard, Article 1250 of the Civil Code provides -

In case an extraordinary inflation or deflation of the currency stipulated should supervene, the value of the currency at the time of the establishment of the obligation should be the basis of payment, unless there is an agreement to the contrary.

By extraordinary inflation or deflation of currency is understood to be any uncommon decrease or increase in the purchasing power of currency which the parties could not have reasonably foreseen and which has been due to war and the effects thereof, or any unusual force majeure or fortuitous event. (Civil Code of the Philippines, Dean Capistrano, Vol. III, p. 186.)

Under the circumstances, we do not find any legal justification in applying the so-called "floating rate," since there has been no "extraordinary inflation" of currency within the meaning of the aforementioned Art. 1250 of the Civil Code.[16]

The Court holds that, in determining the accountability of the private respondent, the trial judge should have applied the following provisions of the Civil Code, as the respondent court apparently did:

Art. 2209. If the obligation consists in the payment of a sum of money, and the debtor incurs in delay, the indemnity for damages, there being no stipulation to the contrary, shall be the payment of the interest agreed upon, and in the absence of stipulation, the legal interest, which is six per cent per annum.

Art. 2210. Interest may, in the discretion of the court, be allowed upon damages awarded for breach of contract.

Art. 2212. Interest due shall earn legal interest from the time it is judicially demanded, although the obligation may be silent upon this point.

The Court notes, however, that the respondent court should also have imposed interest on the interest due on the principal amount of P47,000.00, conformably to Article 2212. The interest due started to earn interest from the date it was judicially demanded with the filing of the complaint on January 6, 1967.

As to the delay in the performance of the private respondent's obligation, our ruling is that it was caused by the private respondent herself and not the petitioner who had the right to demand performance in full of the former's obligation she had assumed under their written agreement.

The receipts composed and signed by Santos, which were offered as Exhibits A and B, read as follows:

June 2, 1966

Received from Mrs. Letter Hahn 1 ring marquise dia, worth P12,000 to be sold on commission or to be return upon demand.

Josie M. Santos

266 A. del Mundo

Grace Park

Tel. No. 3-57-87

June 7, 1966

Received from Mrs. Letty Hahn 1 ring solo diamond worth P35,000 to be sold on commission basis or to be return upon demand.

Josie M. Santos

266 A. del Mundo

Grace Park

Tels. 2-28-21 & 2-57-87

From the moment demand was made upon Santos and she did not or could not comply, she had already incurred in delay. The meaning of the receipts is unmistakable. Her contention that it was the private respondent who had prevented her from fulfilling her obligation is simply untenable and unacceptable.

There is no doubt that the petitioner could validly reject the private respondent's offer to pay for the rings on installment because Hahn was entitled to payment in full. If such payment could not be made, Santos was obligated to return both of the rings - and not one or the other only at her option - "upon demand," under the separate receipts she had signed. According to Article 1233 of the Civil Code, "a debt shall not be understood to have been paid unless the thing or service in which the obligation consists has been completely delivered or rendered as the case may be."

As for the private respondent's offer to return the solitaire ring, which was also refused, the pertinent rule is Article 1244, providing that "the debtor of a thing cannot compel the creditor to receive a different one, although the latter may be of the same value as, or more valuable than that which is due." More so then in the case at bar if, as averred by the petitioner, the ring offered was less valuable than the one that was due.[17]

We cannot sustain the respondent court, however, on the moral and exemplary damages which it disallowed on the ground that "there was no clear showing of malice and bad faith on the part of the defendant." The Court thinks otherwise. We hold that the moral and exemplary damages should be restored in light of her dubious conduct as recounted in the petitioner's brief and the following findings of the trial court which we have no reason to disturb:

The Court cannot but take note of the relative ease with which Josie M. Santos says one thing at one given time and another altogether different version subsequently afterwards, even if the statements are both under the sanction of an oath. This seeming lack of scruples and conscientiousness on her part do not place her in a favorable light under the painstaking scrutiny of the Court. There is so much deviousness and complexity in her testimony that does not invite the confidence of the Court.[18]

WHEREFORE, the petition is partly GRANTED. The decision of the respondent court dated August 29, 1980, is MODIFIED as follows: a) the award of moral damages in the sum of P10,000.00 and exemplary damages in the sum of P5,000.00 is added to the other amounts to be paid by the private respondent to the petitioner in accordance with the said decision; and b) interest on the principal amount of P47,000.00 shall earn interest, also at the legal rate, from January 6, 1967, and until full payment is made. Costs against the private respondent.

SO ORDERED.

Narvasa, (Chairman), Gancayco, and Medialdea, JJ., concur.
Griño-Aquino, J., no part.

[1] Presided by Judge Amador E. Gomez.

[2] Cuevas, J., ponente, Pascual & Griño-Aquino, JJ., concurring.

[3] Exhibit A, p. 1, Exhibit B, p. 2, Original Exhibits.

[4] Record on Appeal, p. 52.

[5] Ibid., p. 69.

[6] Rollo, pp. 33-34.

[7] Record on Appeal, p. 42, 64.

[8] Ibid., pp. 61-62.

[9] Id., p. 66, Rollo, p. 32.

[10] TSN, December 17, 1968, Criminal Case No. 86498, p. 91.

[11] 49 SCRA 1.

[12] TSN, May 11, 1970, Civil Case No. 68057, pp. 11-14.

[13] TSN, February 25, 1970, Civil Case No. 68057, pp. 41-43.

[14] TSN, December 17, 1968, Criminal Case No. 86498, p. 91.

[15] Record on Appeal, p. 63.

[16] Rollo, pp. 32-33.

[17] TSN, December 17, 1968, Criminal Case No. 86498, pp. 101,102.

[18] Record on Appeal, p. 68.

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