

CALTEX (PHILIPPINES), INC., PETITIONER, VS. THE INTERMEDIATE APPELLATE COURT AND ASIA PACIFIC AIRWAYS, INC., RESPONDENTS.

G.R. No. 72703. November 13, 1992

Ponente: BIDIN, J.

Read online (full-text search, related cases, audio case brief): <https://batas.org/library/g-r-no-72703/>

BIDIN, J.:

This is a petition for certiorari seeking the annulment of the decision dated August 27, 1985 of the then Intermediate Appellate Court in CA-G.R. No. 02684, which reversed the judgment of the trial court and ordered petitioner to return the amount of P510,550.63 to private respondent plus interest at the legal rate of 14% per annum.

The facts of the case are as follows:

On January 12, 1978, private respondent Asia Pacific Airways Inc. entered into an agreement with petitioner Caltex (Philippines) Inc., whereby petitioner agreed to supply private respondent's aviation fuel requirements for two (2) years, covering the period from January 1, 1978 until December 31, 1979. Pursuant thereto, petitioner supplied private respondent's fuel supply requirements. As of June 30, 1980, private respondent had an outstanding obligation to petitioner in the total amount of P4,072,682.13, representing the unpaid price of the fuel supplied. To settle this outstanding obligation, private respondent executed a Deed of Assignment dated July 31, 1980, wherein it assigned to petitioner its receivables or refunds of Special Fund Import Payments from the National Treasury of the Philippines to be applied as payment of the amount of P4,072,683.13 which private respondent owed to petitioner. On February 12, 1981, pursuant to the Deed of Assignment, Treasury Warrant No. B04708613 in the amount of P5,475,294.00 representing the refund to respondent of Special Fund Import Payment on its fuel purchases was issued by the National Treasury in favor of petitioner. Four days later, on February 16, 1981, private respondent, having learned that the amount remitted to petitioner exceeded the amount covered by the Deed of Assignment, wrote a letter to petitioner, requesting a refund of said excess. Petitioner, acting on said request, made a refund in the amount of P900,000.00 plus in favor of private respondent. The latter, believing that it was entitled to a larger amount by way of refund, wrote petitioner anew, demanding the refund of the remaining amount. In response thereto, petitioner informed private respondent that the amount not returned (P510,550.63) represented interest and service charges at the rate of 18% per annum on the unpaid and overdue account of respondent from June 1, 1980 to July 31, 1981.

Thus, on September 13, 1982, private respondent filed a complaint against petitioner in the Regional Trial Court of Manila, to collect the sum of P510,550.63.00.

Petitioner (defendant in the trial court) filed its answer, reiterating that the amount not returned represented interest and service charges on the unpaid and overdue account at the rate of 18% per annum. It was further alleged that the collection of said interest and service charges is sanctioned by law, and is in accordance with the terms and conditions of the sale of petroleum products to respondent, which was made with the conformity of said

private respondent who had accepted the validity of said interest and service charges.

On November 7, 1983, the trial court rendered its decision dismissing the complaint, as well as the counterclaim filed by defendant therein.

Private respondent (plaintiff) appealed to the Intermediate Appellate Court (IAC). On August 27, 1985, a decision was rendered by the said appellate court reversing the decision of the trial court, and ordering petitioner to return the amount of P510,550.63 to private respondent.

Counsel of petitioner received a copy of the appellate court's decision on September 6, 1985. On September 20, 1985, or 14 days after receipt of the aforesaid decision, an Urgent Motion for extension of five days within which to file a motion for reconsideration was filed by petitioner. On September 26, 1985, the Motion for Reconsideration was filed. The following day, petitioner filed a motion to set the motion for reconsideration for hearing.

In a Resolution dated October 24, 1985, the appellate court denied the aforesaid three motions. The first motion praying for an extension of five days within which to file a motion for reconsideration was denied by the appellate court citing the new ruling of the Supreme Court in *Habaluyas Enterprises Inc. vs. Japzon* (138 SCRA 46 [1985]) as authority. The appellate court, following said ruling, held that the 15-day period for filing a motion for reconsideration cannot be extended. Thus, the motion for reconsideration filed on September 26, 1985 was stricken from the record, having been filed beyond the non-extendible 15-day reglementary period. The third motion was likewise denied for being moot and academic.

On November 4, 1985, the prevailing party (respondent herein) filed an Urgent Motion for Entry of Judgment. Two days later, or on November 6, 1985, the petitioner filed a Motion for Reconsideration of the Resolution dated October 24, 1985.

The appellate court in a Resolution dated November 12, 1985 granted the motion for entry of judgment filed by private respondent. It directed the entry of judgment and ordered the remand of the records of the case to the court of origin for execution.

On November 14, 1985, petitioner, without waiting for the resolution of the appellate court in the urgent motion for reconsideration it filed on November 6, 1985, filed the instant petition to annul and set aside the resolution of the appellate court dated October 24, 1985 which denied the Motion for Reconsideration of its decision dated August 27, 1985.

In a motion dated November 21, 1985, petitioner prayed for the issuance of a temporary restraining order to enjoin the appellate court from remanding the records of the case for execution of judgment. The petitioner also filed a Supplement to Petition for Certiorari, dated November 21, 1985.

In a Resolution dated November 27, 1985, this Court, acting on the petition, required private respondent to file its Comment; granted the prayer of the petitioner in his urgent motion, and a temporary restraining order was issued enjoining the appellate court from remanding the records of the case for execution of judgment.

Private respondent filed its COMMENT dated December 14, 1985.

In a Resolution dated January 27, 1986, the Court resolved to give due course to the petition, and required the parties to submit their memoranda. In compliance with the said Resolution, the parties filed their respective memoranda.

On August 15, 1986, petitioner filed a Motion to Remand Records to the Court of Appeals in view of the resolution of this Court dated May 30, 1986 in the *Habaluyas* case which reconsidered and set aside its decision

dated August 5, 1985 by giving it prospective application beginning one month after the promulgation of said resolution. This motion was opposed by private respondent. On September 22, 1986, petitioner filed its Reply to Opposition to which private respondent filed its rejoinder. In a Resolution dated December 3, 1986, the motion to remand records was denied.

Petitioner's Brief raised six (6) assignment of errors, to wit:

I.

THE IAC ERRED IN APPLYING THE NEW POLICY OF NOT GRANTING ANY EXTENSION OF TIME TO FILE MOTION FOR RECONSIDERATION.

II.

THE IAC ERRED IN RULING THAT THE OBLIGATION OF RESPONDENT WAS LIMITED TO P4,072,682.13 NOTWITHSTANDING THE FACT THAT THE DEED OF ASSIGNMENT (THE CONTRACT SUE UPON) ITSELF EXPRESSLY AND REPEATEDLY SPEAKS OF RESPONDENT'S OBLIGATIONS AS "THE AMOUNT OF P4,072,682.13 AS OF JUNE 30, 1980 PLUS APPLICABLE INTEREST CHARGES ON OVERDUE ACCOUNT AND OTHER AVTURBO FUEL LIFTING AND DELIVERIES THAT ASSIGNOR MAY FROM TIME TO TIME RECEIVE FROM THE ASSIGNEE".

III.

THE IAC ERRED IN RULING THAT THE DEED OF ASSIGNMENT SATISFIES THE REQUISITES OF DATION IN PAYMENT (WHICH HAS THE EFFECT OF IMMEDIATE EXTINGUISHMENT OF THE OBLIGATION) DESPITE THE FACT THAT SAID DEED OF ASSIGNMENT (1) COVERS FUTURE OBLIGATIONS FOR "APPLICABLE INTEREST CHARGES ON OVER DUE ACCOUNT AND OTHER AVTURBO FUEL LIFTING AND DELIVERIES THAT ASSIGNOR MAY FROM TIME TO TIME RECEIVE FROM ASSIGNEES" AND (2) INCLUDES AN EXPRESS RESERVATION BY ASSIGNEE TO DEMAND FULL PAYMENT OF THE OBLIGATIONS OF THE ASSIGNOR "IN CASE OF UNREASONABLE DELAY OR NON-RECEIPT OF ASSIGNEE OF THE AFOREMENTIONED FUNDS AND/OR REFUND OF SPECIAL FUND IMPORT PAYMENT FROM THE GOVERNMENT DUE TO ANY CAUSE OR REASON WHATSOEVER".

IV.

THE IAC ERRED IN FAILING TO TAKE INTO ACCOUNT THE CONTEMPORANEOUS AND SUBSEQUENT ACTS OF THE PARTIES WHICH ALSO CLEARLY SHOW THAT THEY DID NOT INTEND THE DEED OF ASSIGNMENT TO HAVE EFFECT OF DATION IN PAYMENT.

V.

IF THE DEED OF ASSIGNMENT HAD THE EFFECT OF A DATION IN PAYMENT, THEN THE IAC ERRED IN NOT RULING THAT PETITIONER HAS A RIGHT TO RETAIN THE ENTIRE CREDIT ASSIGNED TO IT IN LIEU OF PAYMENT OF RESPONDENT'S OBLIGATIONS INSTEAD OF BEING REQUIRED TO RETURN PORTION OF THE CREDIT WHICH IS CLAIMED TO BE IN EXCESS OF RESPONDENT'S OBLIGATION.

VI.

ASSUMING THAT PETITIONER IS LIABLE TO MAKE A RETURN OF A PORTION OF THE CREDIT ASSIGNED, THE IAC ERRED IN AWARDING "INTEREST AT THE LEGAL RATE OF 14% PER ANNUM FROM THE FILING OF THE COMPLAINT".

We find merit in the instant petition.

The two vital issues presented to the Court for resolution are, as follows:

1. Whether or not the Urgent Motion for Extension of Time to File a Motion for Reconsideration filed by petitioner on September 20, 1985, as well as the Motion for Reconsideration filed on September 26, 1985 (within the period of extension prayed for), may be validly granted; and
2. Whether or not the Deed of Assignment entered into by the parties herein on July 31, 1980 constituted dacion en pago, as ruled by the appellate court, such that the obligation is totally extinguished, hence after said date, no interest and service charges could anymore be imposed on private respondent, so that petitioner was not legally authorized to deduct the amount of P510,550.63 as interest and service charges on the unpaid and overdue accounts of private respondent.

Anent the first issue, we rule in the affirmative.

We held in the case of *Habaluyas Enterprises, Inc., et. al. vs. Japson et. al.* (138 SCRA 46 [1985], promulgated August 5, 1985), that the "15-day period for appealing or for filing a motion for reconsideration cannot be extended". Subsequently, the Court, acting on respondent's motion for reconsideration in the same entitled case (142 SCRA 208 [1986]), restated and clarified the rule on this point for the guidance of the Bench and Bar by giving the rule prospective application in its resolution dated May 30, 1986:

"After considering the able arguments of counsels for petitioners and respondents, the Court resolved that the interest of justice would be better served if the ruling in the original decision were applied prospectively from the time herein stated. The reason is that it would be unfair to deprive parties of the right to appeal simply because they availed themselves of a procedure which was not expressly prohibited or allowed by the law or the Rules. On the otherhand, a motion for new trial or reconsideration is not a pre-requisite to an appeal, a petition for review or a petition for review on certiorari, and since the purpose of the amendments above referred to is to expedite the final disposition of cases, a strict but prospective application of the said ruling is in order. Hence, for the guidance of the Bench and Bar, the Court restates and clarifies the rules on this point, as follows:

1.) Beginning one month after the promulgation of this Resolution, the rule shall be strictly enforced that no motion for extension of time to file a motion for new trial or reconsideration may be filed with the Metropolitan or Municipal Trial Courts, the Regional Trial Courts, and the Intermediate Appellate Court. Such a motion may be filed only in cases pending with the Supreme Court as the court of last resort, which may in its sound discretion either grant or deny the extension requested."

In *Singh vs. IAC*, (148 SCRA 277 [1987]), this Court applying the aforesaid ruling in the *Habaluyas* case, held:

"In other words, there is a one month grace period from the promulgation on May 30, 1986, of this Court's Resolution in the clarificatory *Habaluyas* case, or up to June 30, 1986, within which the rule barring extensions of time to file motions for new trial or reconsideration is, as yet, not strictly enforceable (*Bayaca vs. IAC*, G.R. No.74824, September 15, 1986).

"Since petitioners herein filed their Motion for Extension on August 6, 1985, it was still within the grace period, which expired on June 30, 1986, and may still be allowed."

Similarly, when petitioner herein filed its Motion for Extension of time to file motion for reconsideration on September 20, 1985, the said motion was filed within the one-month grace period, which expired on June 30, 1986, and may still be allowed. Consequently, the Motion for Reconsideration filed by petitioner on September 26, 1985, was also filed on time.

With respect to the second issue, We rule that the Deed of Assignment executed by the parties on July 31, 1980 is not a dation in payment and did not totally extinguish respondent's obligations as stated therein.

The then Intermediate Appellate Court ruled that the three (3) requisites of *dacion en pago** are all present in the instant case, and concluded that the Deed of Assignment of July 31, 1980 (Annex "C" of Partial Stipulation of Facts) constitutes a dacion in payment provided for in Article 1245** of the Civil Code which has the effect of extinguishing the obligation, thus supporting the claim of private respondent for the return of the amount retained by petitioner.

This Court, speaking of the concept of dation in payment, in the case of *Lopez vs. Court of Appeals* (114 SCRA 671, 685 [1982], among others, stated:

"The dation in payment extinguishes the obligation to the extent of the value of the thing delivered, either as agreed upon by the parties or as may be proved, unless the parties by agreement, express or implied, or by their silence, consider the thing as equivalent to the obligation, in which case the obligation is totally extinguished." (8 Manresa 324; 3 Valverde 174 fn.)"

From the above, it is clear that a dation in payment does not necessarily mean total extinguishment of the obligation. The obligation is totally extinguished only when the parties, by agreement, express or implied, or by their silence, consider the thing as equivalent to the obligation.

In the instant case, the then Intermediate Appellate Court failed to take into account the following express recitals of the Deed of Assignment -

"That Whereas, ASSIGNOR has an outstanding obligation with ASSIGNEE in the amount of P4,072,682.13 as of June 30, 1980, plus any applicable interest on overdue account. (p. 2, Deed of Assignment)

"Now therefore in consideration of the foregoing premises, ASSIGNOR by virtue of these presents, does hereby irrevocably assign and transfer unto ASSIGNEE any and all funds and/or Refund of Special Fund Payments, including all its rights and benefits accruing out of the same, that ASSIGNOR might be entitled to, by virtue of and pursuant to the decision in BOE Case No. 80-123, in payment of ASSIGNOR's outstanding obligation plus any applicable interest charges on overdue account and other avturbo fuel lifting and deliveries that ASSIGNOR may from time to time receive from the ASSIGNEE, and ASSIGNEE does hereby accept such assignment in its favor." (p. 2, Deed of Assignment) (Underscoring supplied)

Hence, it could easily be seen that the Deed of Assignment speaks of three (3) obligations - (1) the outstanding obligation of P4,072,682.13 as of June 30, 1980; (2) the applicable interest charges on overdue accounts; and (3) the other avturbo fuel lifting and deliveries that assignor (private respondent) may from time to time receive from assignee (Petitioner). As aptly argued by petitioner, if it were the intention of the parties to limit or fix respondent's obligation to P4,072,682.13, they should have so stated and there would have been no need for them to qualify the statement of said amount with the clause "as of June 30, 1980 plus any applicable interest charges on overdue account" and the clause "and other avturbo fuel lifting and deliveries that ASSIGNOR may from time to time receive from the ASSIGNEE". The terms of the Deed of Assignment being clear, the literal meaning of its stipulations should control (Art. 1370, Civil Code). In the construction of an instrument where there are several provisions or particulars, such a construction is, if possible, to be adopted as will give effect to all (Rule 130, Sec. 9, Rules of Court).

Likewise, the then Intermediate Appellate Court failed to take into consideration the subsequent acts of the parties which clearly show that they did not intend the Deed of Assignment to totally extinguish the obligation - (1) After the execution of the Deed of Assignment on July 31, 1980, petitioner continued to charge respondent with interest on its overdue account up to January 31, 1981 (Annexes "H", "I", "J" and "K" of the Partial Stipulation of Facts). This was pursuant to the Deed of Assignment which provides for respondent's obligation for "applicable interest charges on overdue account". The charges for interest were made every month and not once did respondent question or take exception to the interest; and (2) In its letter of February 16, 1981 (Annex "J", Partial Stipulation of Facts), respondent addressed the following request to petitioner:

"Moreover, we would also like to request for a consideration in the following:

1. Interest charges be limited up to December 31, 1980 only; and
2. Reduction of 2% on 18% interest rate p.a.

"We are hoping for your usual kind consideration on this matter."

In order to judge the intention of the contracting parties, their contemporaneous and subsequent acts shall be principally considered (Art. 1253, Civil Code). The foregoing subsequent acts of the parties clearly show that they did not intend the Deed of Assignment to have the effect of totally extinguishing the obligations of private respondent without payment of the applicable interest charges on the overdue account.

Finally, the payment of applicable interest charges on overdue account, separate from the principal obligation of P4,072,682.13 was expressly stipulated in the Deed of Assignment. The law provides that "if the debt produces interest, payment of the principal shall not be deemed to have been made until the interests have been covered." (Art. 1253, Civil Code).

WHEREFORE, the decision of the then Intermediate Appellate Court dated August 27, 1985 is hereby SET ASIDE, and the November 7, 1983 decision of the trial court is REINSTATED.

SO ORDERED.

Gutierrez, Jr., Acting C.J., (Chairman), Davide, Jr., Romero, and Melo, JJ., concur.

* s/s 263. same; requisites. In order that there be a valid dation in payment, the following are the requisites: (1) There must be the performance of the prestation in lieu of payment (*animo solvendi*) which may consist in the delivery of a corporeal thing or a real right or a credit against the third person; (2) There must be some difference between the prestation due and that which is given in substitution (*aliud pro alio*); (3) There must be an agreement between the creditor and debtor that the obligation is immediately extinguished by reason of the performance of a prestation different from that due." (3 Castan, Vol. I, 8th Ed., page 283 cited in IV Caguioa 'Comments and Cases in Civil Law', s/s263, page 325; underscoring supplied)

** Art. 1245. Dation in payment, whereby property is alienated to the creditor in satisfaction of a debt in money, shall be governed by the law of sales.

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.