

EDCA PUBLISHING & DISTRIBUTING CORP., PETITIONER, VS. THE SPOUSES LEONOR AND GERARDO SANTOS, DOING BUSINESS UNDER THE NAME AND STYLE OF “SANTOS BOOKSTORE,” AND THE COURT OF APPE...

G.R. No. 80298. April 26, 1990

Ponente: CRUZ, J.

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CRUZ, J.:

The case before us calls for the interpretation of Article 559 of the Civil Code and raises the particular question of when a person may be deemed to have been “unlawfully deprived” of movable property in the hands of another. The article runs in full as follows:

ART. 559. The possession of movable property acquired in good faith is equivalent to a title. Nevertheless, one who has lost any movable or has been unlawfully deprived thereof, may recover it from the person in possession of the same.

If the possessor of a movable lost or of which the owner has been unlawfully deprived has acquired it in good faith at a public sale, the owner cannot obtain its return without reimbursing the price paid therefor.

The movable property in this case consists of books, which were bought from the petitioner by an impostor who sold it to the private respondents. Ownership of the books was recognized in the private respondents by the Municipal Trial Court,[1] which was sustained by the Regional Trial Court,[2] which was in turn sustained by the Court of Appeals.[3] The petitioner asks us to declare that all these courts have erred and should be reversed.

This case arose when on October 5, 1981, a person identifying himself as Professor Jose Cruz placed an order by telephone with the petitioner company for 406 books, payable on delivery.[4] EDCA prepared the corresponding invoice and delivered the books as ordered, for which Cruz issued a personal check covering their purchase price of P8,995.65.[5] On October 7, 1981, Cruz sold 120 of the books to private respondent Leonor Santos who, after verifying the seller’s ownership from the invoice he showed her, paid him P1,700.00.[6]

Meanwhile, EDCA having become suspicious over a second order placed by Cruz even before clearing of his first check, made inquiries with the De la Salle College where he had claimed to be a dean and was informed that there was no such person in its employ. Further verification revealed that Cruz had no more account or deposit with the Philippine Amanah Bank, against which he had drawn the payment check.[7] EDCA then went to the police, which set a trap and arrested Cruz on October 7, 1981. Investigation disclosed his real name as Tomas de la Peña and his sale of 120 of the books he had ordered from EDCA to the private respondents.[8]

On the night of the same date, EDCA sought the assistance of the police in Precinct 5 at the UN Avenue, which forced their way into the store of the private respondents and threatened Leonor Santos with prosecution for buying stolen property. They seized the 120 books without warrant, loading them in a van belonging to EDCA, and thereafter turned them over to the petitioner.[9]

Protesting this high-handed action, the private respondents sued for recovery of the books after demand for their return was rejected by EDCA. A writ of preliminary attachment was issued and the petitioner, after initial refusal, finally surrendered the books to the private respondents.[10] As previously stated, the petitioner was successively rebuffed in the three courts below and now hopes to secure relief from us.

To begin with, the Court expresses its disapproval of the arbitrary action of the petitioner in taking the law into its own hands and forcibly recovering the disputed books from the private respondents. The circumstance that it did so with the assistance of the police, which should have been the first to uphold legal and peaceful processes, has compounded the wrong even more deplorably. Questions like the one at bar are decided not by policemen but by judges and with the use not of brute force but of lawful writs.

Now to the merits.

It is the contention of the petitioner that the private respondents have not established their ownership of the disputed books because they have not even produced receipt to prove they had bought the stock. This is unacceptable. Precisely, the first sentence of Article 559 provides that “the possession of movable property acquired in good faith is equivalent to a title,” thus dispensing with further proof.

The argument that the private respondents did not acquire the books in good faith has been dismissed by the lower courts, and we agree. Leonor Santos first ascertained the ownership of the books from EDCA invoice showing that they had been sold to Cruz, who said he was selling them for a discount because he was in financial need. Private respondents are in the business of buying and selling books and often deal with hard-up sellers who urgently have to part with their books at reduced prices. To Leonor Santos, Cruz must have been only one of the many such sellers she was accustomed to dealing with. It is hardly bad faith for any one in the business of buying and selling books to buy them at a discount and resell them for a profit.

But the real issue here is whether the petitioner has been unlawfully deprived of the books because the check issued by the impostor in payment therefor was dishonored.

In its extended memorandum, EDCA cites numerous cases holding that the owner who has been unlawfully deprived of personal property is entitled to its recovery except only where the property was purchased at a public sale, in which event its return is subject to reimbursement of the purchase price. The petitioner is begging the question. It is putting the cart before the horse. Unlike in the cases invoked, it has yet to be established in the case at bar that EDCA has been unlawfully deprived of the books.

The petitioner argues that it was, because the impostor acquired no title to the books that he could have validly transferred to the private respondents. Its reason is that as the payment check bounced for lack of funds, there was a failure of consideration that nullified the contract of sale between it and Cruz.

The contract of sale is consensual and is perfected once agreement is reached between the parties on the subject matter and the consideration. According to the Civil Code:

ART. 1475. The contract of sale is perfected at the moment there is a meeting of minds upon the thing which is the object of the contract and upon the price.

From that moment, the parties may reciprocally demand performance, subject to the provisions of the law governing the form of contracts.

x x x

ART. 1477. The ownership of the thing sold shall be transferred to the vendee upon the actual or constructive delivery thereof.

ART. 1478. The parties may stipulate that ownership in the thing shall not pass to the purchaser until he has fully paid the price.

It is clear from the above provisions, particularly the last one quoted, that ownership in the thing sold shall not pass to the buyer until full payment of the purchase price only if there is a stipulation to that effect. Otherwise, the rule is that such ownership shall pass from the vendor to the vendee upon the actual or constructive delivery of the thing sold even if the purchase price has not yet been paid.

Non-payment only creates a right to demand payment or to rescind the contract, or to criminal prosecution in the case of bouncing checks. But absent the stipulation above noted, delivery of the thing sold will effectively transfer ownership to the buyer who can in turn transfer it to another.

In *Asiatic Commercial Corporation v. Ang*,^[11] the plaintiff sold some cosmetics to Francisco Ang, who in turn sold them to Tan Sit Bin. Asiatic not having been paid by Ang, it sued for the recovery of the articles from Tan, who claimed he had validly bought them from Ang, paying for the same in cash. Finding that there was no conspiracy between Tan and Ang to deceive Asiatic, the Court of Appeals declared:

Yet the defendant invokes Article 464^[12] of the Civil Code providing, among other things that “one who has been unlawfully deprived of personal property may recover it from any person possessing it.” We do not believe that the plaintiff has been unlawfully deprived of the cartons of Gluco Tonic within the scope of this legal provision. It has voluntarily parted with them pursuant to a contract of purchase and sale. The circumstance that the price was not subsequently paid did not render illegal a transaction which was valid and legal at the beginning.

In *Tagatac v. Jimenez*,^[13] the plaintiff sold her car to Feist, who sold it to Sanchez, who sold it to Jimenez. When the payment check issued to Tagatac by Feist was dishonored, the plaintiff sued to recover the vehicle from Jimenez on the ground that she had been unlawfully deprived of it by reason of Feist’s deception. In ruling for Jimenez, the Court of Appeals held:

The point of inquiry is whether plaintiff-appellant Trinidad C. Tagatac has been unlawfully deprived of her car. At first blush, it would seem that she was unlawfully deprived thereof, considering that she was induced to part with it by reason of the chicanery practiced on her by Warner L. Feist. Certainly, swindling, like robbery, is an illegal method of deprivation of property. In a manner of speaking, plaintiff-appellant was “illegally deprived” of her car, for the way by which Warner L. Feist induced her to part with it is illegal and is punished by law. But does this “unlawful deprivation” come within the scope of Article 559 of the New Civil Code?

x x x

x x x The fraud and deceit practiced by Warner L. Feist earmarks this sale as a voidable contract (Article 1390 N.C.C.). Being a voidable contract, it is susceptible of either ratification or annulment. If the contract is ratified, the action to annul it is extinguished (Article 1392, N.C.C.) and the contract is cleansed from all its defects (Article 1396, N.C.C.); if the contract is annulled, the contracting parties are restored to their respective situations before the contract and mutual restitution follows as a consequence (Article 1398, N.C.C.).

However, as long as no action is taken by the party entitled, either that of annulment or of ratification, the contract of sale remains valid and binding. When plaintiff-appellant Trinidad C. Tagatac delivered the car to Feist by virtue of said voidable contract of sale, the title to the car passed to Feist. Of course, the title that Feist acquired was defective and voidable. Nevertheless, at the time he sold the car to Felix Sanchez, his title thereto had not been avoided and he therefore conferred a good title on the latter, provided he bought the car in good faith, for value and without notice of the defect in Feist’s title (Article 1506, N.C.C.). There being no proof on record that Felix Sanchez acted in bad faith, it is safe to assume that he acted in good faith.

The above rulings are sound doctrine and reflect our own interpretation of Article 559 as applied to the case before us.

Actual delivery of the books having been made, Cruz acquired ownership over the books which he could then validly transfer to the private respondents. The fact that he had not yet paid for them to EDCA was a matter between him and EDCA and did not impair the title acquired by the private respondents to the books.

One may well imagine the adverse consequences if the phrase “unlawfully deprived” were to be interpreted in the manner suggested by the petitioner. A person relying on the seller’s title who buys a movable property from him would have to surrender it to another person claiming to be the original owner who had not yet been paid the purchase price therefor. The buyer in the second sale would be left holding the bag, so to speak, and would be compelled to return the thing bought by him in good faith without even the right to reimbursement of the amount he had paid for it.

It bears repeating that in the case before us, Leonor Santos took care to ascertain first that the books belonged to Cruz before she agreed to purchase them. The EDCA invoice Cruz showed her assured her that the books had been paid for on delivery. By contrast, EDCA was less than cautious - in fact, too trusting - in dealing with the impostor. Although it had never transacted with him before, it readily delivered the books he had ordered (by telephone) and as readily accepted his personal check in payment. It did not verify his identity although it was easy enough to do this. It did not wait to clear the check of this unknown drawer. Worse, it indicated in the sales invoice issued to him by the printed terms thereon, that the books had been paid for on delivery, thereby vesting ownership in the buyer.

Surely, the private respondent did not have to go beyond that invoice to satisfy herself that the books being offered for sale by Cruz belonged to him; yet she did. Although the title of Cruz was presumed under Article 559 by his mere possession of the books, these being movable property, Leonor Santos nevertheless demanded more proof before deciding to buy them.

It would certainly be unfair now to make the private respondents bear the prejudice sustained by EDCA as a result of its own negligence. We cannot see the justice in transferring EDCA’s loss to the Santos who had acted in good faith, and with proper care, when they bought the books from Cruz.

While we sympathize with the petitioner for its plight, it is clear that its remedy is not against the private respondents but against Tomas de la Peña, who has apparently caused all this trouble. The private respondents have themselves been unduly inconvenienced, and for merely transacting a customary deal not really unusual in their kind of business. It is they and not EDCA who have a right to complain.

WHEREFORE, the challenged decision is AFFIRMED and the petition is DENIED, with costs against the petitioner.

Narvasa, (Chairman), Gancayco, Griño-Aquino, and Medialdea, JJ., concur.

[1] Presided by Judge Jose B. Herrera.

[2] Presided by Judge Ernesto S. Tengco.

[3] Buena, J. with Castro-Bartolome and Cacdac, Jr., JJ., concurring.

[4] Rollo, pp. 9-10.

[5] Ibid., p. 10.

[6] Id., p. 37; TSN, Orig. Records, pp. 215-219.

[7] Rollo, p. 10.

[8] Ibid., p. 11.

[9] Id., p. 37.

[10] Id., p. 38.

[11] Vol. 40, O.G.S. No. 15, p. 102.

[12] Substantially reproduced in what is now Article 559.

[13] Vol. 53. O.G. No. 12, p. 3792.

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