

**LUCIO TAN ALIM, PETITIONER, VS. HON. COURT OF APPEALS AND
PACIFIC COAST TIMBER PRODUCTS, INC., RESPONDENTS.***G.R. No. 93213. August 09, 1991*

Ponente: PARAS, J.

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This is a petition for review on certiorari of the February 27, 1990 decision* of the Court of Appeals in CA-G.R. CV No. 10603 entitled "PACIFIC COAST TIMBER PRODUCTS, INC. vs. LUCIO TAN ALIM", affirming the decision** of the Regional Trial Court of Quezon City, Branch LXXXIX in Civil Case No. Q-24970 which dismissed private respondent's complaint, but allowed the petitioner to exercise his option to buy the tractor in question, which decision was later amended in its Order, dated September 19, 1985, partially granting petitioner's motion for reconsideration but denying his plea therein to grant damages for unrealized income in his logging business due to the alleged irregular and illegal seizure of the said equipment leased to him.

The case arose out of a Lease Contract with Option To Buy, dated January 5, 1977, which was entered into by and between respondent PACIFIC COAST TIMBER PRODUCTS, INC., as lessor, and petitioner LUCIO TAN ALIM, as lessee, for a term of fifteen months over a unit of tractor at a monthly rental of P10,000.00 subject to the stipulation, among others, that after payment of five months, the lessee is given an option to purchase the equipment at the price of P150,000.00, in which event the rental paid shall be considered as part payment of the consideration and that the subject equipment has to remain at the lessee's jobsite at PARCEL III-R, between Dianawan Creek and Bazal, San Joaquin, Baler (Original Record, p. 7; Exhibit "1" and Exhibit "A").

However, upon its delivery on January 15, 1977, the tractor was discovered to be defective. Consequently, petitioner Alim informed the private respondent's manager at San Luis, Quezon of such fact in his letter, dated January 25, 1977, relaying likewise the need for the tractor's reconditioning or replacement with another unit in good running condition and the immediate repair thereof as may be arranged by him with the Manila Office (Ibid., p. 96, Exhibit "2"). The Logging Manager of the respondent corporation, Luis O. Barredo, issued a certification on June 11, 1977 that a defective tractor was delivered to the petitioner (Ibid., p. 98, Exhibit "5"). The amount of P5,000.00 for the repair of the tractor was then paid by the private respondent to petitioner Alim on January 29, 1977 (Ibid., p. 97, Exhibit "4"). Petitioner Alim expended the amount of P36,130.60 for its repair and reconditioning, as specifically contained in his letter to respondent corporation of June 25, 1977 (Ibid., p. 99, Exhibit "3").

On July 1, 1977, the parties amended the lease contract with petitioner's obligation to execute a Deed of Chattel Mortgage for his three motor vehicles in favor of the respondent to guarantee his undertaking in the amended lease contract (Ibid., pp. 101-102; Rollo, pp. 12-13). Respondent corporation's counsel, Lino M. Patajo, formally informed Alim in a letter dated March 16, 1978 that under the amended contract wherein payment of rentals commenced in August, 1977, the latter failed to pay rentals for seven months, from September, 1977 to February, 1978 in the amount of P70,000.00, for which reason the contract of lease as well as the option to buy, are automatically terminated. The same counsel likewise sent a notice of default in obligation secured by the Chattel

Mortgage (Ibid., Exhibit "C"; p. 11, Exhibit "D"; Original Records, p. 12). However, the petition for extrajudicial foreclosure thereon was returned by the sheriff unsatisfied (Ibid., p. 12). Thereafter, a complaint for recovery of possession with replevin (of a unit of tractor) (Ibid., pp. 13-15-A; Rollo, pp. 15-18), was filed by private respondent before the then Court of First Instance of Quezon City due to petitioner's refusal to pay the arrears and to deliver the subject equipment.

Upon the filing of a bond by Pacific Coast Timber Products, Inc., furnished by Pioneer Insurance and Surety Corporation in the sum of P300,000.00 (Ibid., p. 26), the trial court issued a writ of replevin for the seizure and delivery of the property in question on April 13, 1978 (Ibid., p. 36; Rollo, p. 20). On April 16, 1978, Deputy Sheriff Reynaldo P. Lopez of the then Court of First Instance of Aurora Sub-province at Baler, Quezon, seized the tractor from the petitioner and turned it over to the respondent corporation on April 26, 1978 (Ibid., p. 45, Sheriff's Return of Service).

In his answer (Ibid., pp. 38-43), the petitioner denied having defaulted in the payment of rentals and claimed to have sustained damages for unrealized income in his logging business as a result of the wrongful seizure of the tractor (Rollo, p. 21).

Both parties having failed to reach an agreement at the pre-trial, the case was tried on the merits.

In the order of the trial court dated December 17, 1980, respondent corporation's motion to recall or lift the Order of Seizure and to cancel the replevin bond the same having already served their purposes, (Ibid., pp. 142-143), which was opposed by petitioner Alim (Ibid., pp. 144-146), was denied for lack of merit since the case was still pending in court (Ibid., p. 149).

On the scheduled hearing of July 14, 1981, both parties failed to attend. Hence, the dismissal of the case (Ibid., p. 158). However, the order of dismissal was reconsidered upon explanation of the parties (Ibid., p. 159). The case was finally resolved in favor of petitioner Alim on July 31, 1985 by the trial court (RTC, Quezon City), the dispositive portion of which states:

"ACCORDINGLY, judgment is hereby rendered dismissing the plaintiff's complaint, and allowing the defendant within fifteen days from and after this judgment becomes final and executory, to exercise his option under the Lease Contract with Option to Buy, as amended, to buy the tractor, in question, by paying to the plaintiff the balance of P90,000.00 after deducting from the purchase price of P150,000.00, in rentals, already paid by him, and ordering the plaintiff to pay to the defendant the amount of P36,130.60 as reimbursement for the expenses for repairs made by the defendant on the tractor which may be offsetted from the remaining purchase price of P90,000.00 if the defendant exercises his option to buy, plus reasonable attorney's fees in the amount of P5,000.00, with costs against the plaintiff.

SO ORDERED." (Rollo, pp. 32-33)

The said decision was, however, partially modified upon motion for reconsideration of the petitioner, dated August 19, 1985 (Original Record, pp. 259-261), in its Order dated September 19, 1985, in this wise:

"ACCORDINGLY, judgment is hereby rendered dismissing the plaintiff's complaint, and allowing the defendant, within fifteen (15) days from and after (sic) this judgment becomes final and executory, to exercise his option under the Lease Contract with Option To Buy, as amended, to buy the tractor, in question by paying to the plaintiff the balance of P80,000.00 after deducting from the purchase price of P150,000.00, the amount of P70,000.00 in rentals, already paid by him, and ordering the plaintiff to pay to the defendant the amount of P36,130.60 as reimbursement for the expenses for repairs made by the defendant on the tractor, which may be offsetted (sic) from the remaining purchase price of P80,000.00, if the defendant exercises his option to buy, plus reasonable attorney's fees in the amount of P5,000.00, with costs against the plaintiff." (Rollo, pp.

37-A-38).

Not satisfied with the modified decision, petitioner Alim appealed, claiming damages because of the wrongful seizure of the tractor, but the same was affirmed by the Court of Appeals which denied said petitioner's claim for compensation and concurred with the following findings of the trial court:

"However, since the fifteen (15) month lease period provided in the contract had already expired x x x the plaintiff may not be judicially compelled to deliver the tractor to defendant since after the expiration of the lease period, it is legally entitled to its possession, as the owner thereof." (Rollo, p. 62)

Petitioner's motion for reconsideration was denied by the Court of Appeals in its resolution dated April 30, 1990 (Rollo, p. 65). Hence, this petition.

The issues raised in this case are: (1) whether or not the fifteen (15) month lease period had commenced from August 1977 and expired in October 1978; (2) whether or not the petitioner is entitled to collect/recover damages as prayed for in the complaint; and (3) whether or not petitioner is entitled to recover the sum of P300,000.00 from the replevin bond, all of which may be synthesized in one pivotal issue, the interpretation of the "Amendment to Contract of Lease" (Exhibit "6", Original Records, p. 9) in relation to the "Original Lease Contract with Option to Buy (Exhibit "1". Original Records, p. 7).

Both the trial court and the Court of Appeals are of the view that there is no amendment as to the duration of the Contract of Lease; that the contract expired as originally stipulated on April 5, 1978 and that when the tractor was seized by virtue of a writ of replevin on August 16, 1978, the contract of lease had expired and the lessee Alim was consequently not entitled to damages.

A careful review of the records shows that in the original contract, it was expressly stipulated that the lease shall be for a period of fifteen (15) months (Exhibit "1". par. 2) and that the lessee is given an option to purchase the equipment for ONE HUNDRED FIFTY THOUSAND (P150,000.00) PESOS, after Alim has completed and religiously paid the 5-month rentals which shall be considered as part payment of the consideration (Ibid., par. 4).

On the other hand, there is no provision in the amended contract as to the period of the lease. Instead, it provides that "All provisions of the original lease contract not amended by the foregoing provisions shall remain in full force and effect." (Exhibit "6", par. 5). The alteration is evidently focused on the period for the right to exercise the option to buy. Originally, the period was five (5) months of regular payment but under the amended contract, the period was changed to fifteen (15) months, unquestionably including the period from the commencement of the original contract on January 7, 1977, as specifically provided in paragraph 4 thereof, which states:

"4. The monthly rentals of the equipment which on the date of the execution of this amendment to the original lease contract have not been paid shall be considered as paid obligation of LESSEE to LESSOR, the payment of which will be the subject of negotiation between LESSOR and LESSEE."

The letter of Atty. Lino M. Patajo, counsel of respondent corporation, on which Alim heavily relied in his arguments in his favor, unmistakably confirms the fact of non-extension of the lease agreement when he spoke of the commencement of the payment of the rentals, not on the commencement of the new period of lease (Exhibit "C", Original Records, p. 11). Inevitably, the courts cannot go beyond what appears in the documents submitted by the parties.

Nothing is more settled than the rule that the terms of a written contract are binding on the parties thereto. In the interpretation of the provisions of a written contract, the courts should follow the literal meaning of the stipulation. Otherwise, the evident intention of the parties must prevail (Art. 1370, Civil Code) (Spouses Roberto E. Fermin and Maylinda Ferraren v. Hon. Court of Appeals, et al., G.R. 95146, May 6, 1991).

There it therefore no merit in the petitioner's allegation that the seizure was wrongful for which he must be compensated. The ownership or right of possession over the subject equipment belonged to the Pacific Coast Timber Products, Inc. at the time it was seized. The seizure of the equipment was ordered by the trial court for its restoration by means established in the laws of procedure. Thus, the requisites for the issuance of the writ of replevin (Sec. 2, Rule 60) have been satisfied.

The writ is a provisional remedy in replevin suits. It is in the "nature of a possessory action and the applicant who seeks the immediate possession of the property need not be the holder of the legal title to the property." It is sufficient that at the time he applied for a writ of replevin he is found to be "entitled to a possession thereof" as stated in Section 2, Rule 60 of the Rules of Court (Yang v. Valdez, 177 SCRA 141 [1989]).

The Appellate Court correctly observed that the trial court was right in holding that "the plaintiff may not anymore be judicially compelled to deliver the tractor to the defendant since after the expiration of the lease period, it is legally entitled to its possession, as the owner thereof (p. 5, RTC decision; Rollo, p. 31)". It is very clear therefore, that Alim is not entitled to any award of damages based on the foregoing facts and evidence presented. Neither can he claim moral and exemplary damages. The records show that the petitioner was not able to adduce any evidence before the trial court to prove facts upon which the award for such damages may be predicated. In fact, even in the petition and memorandum for the petitioner, there was no discussion of the evidence upon which Alim relies for his claim.

Moral damages have to do with injury personal to the awardee such as physical sufferings and the like, while exemplary damages are imposed by way of example or correction for the public good (Makabili v. Court of Appeals, 157 SCRA 253 [1988]).

Indisputably, moral damages cannot generally be awarded in the absence of bad faith (De Aparico v. Paraguya, 150 SCRA 279 [1987]). Otherwise stated, moral damages can be awarded if they are the proximate results of a wrongful act or omission (Filinvest Credit Corporation v. Mendez, 152 SCRA 593 [1987]), while exemplary damages are not awarded if the defendant had not acted in a wanton, oppressive or malevolent manner (Zenith Insurance Corporation v. Court of Appeals, 185 SCRA 398 [1990]), neither can claim for exemplary damages be granted in the absence of gross or reckless negligence (Delos Santos, et al. v. Court of Appeals, G.R. 51165, June 21, 1990), which misfeasance is not true in the case at bar.

A replevin bond is simply intended to indemnify the defendant against any loss that he may suffer by being compelled to surrender the possession of the disputed property pending the trial of the action. He cannot recover on the bond as for a reversion when he has failed to have the judgment entered for the return of the property. Nor is the surety liable for payment of the judgment for damages rendered against the plaintiff on a counterclaim or punitive damages for fraudulent or wrongful acts committed by the plaintiffs and unconnected with the defendant's deprivation of possession by the plaintiff. Even where the judgment was that the defendant was entitled to the property, but no order was made requiring the plaintiff to return it or assessing damages in default of a return, it was declared that until judgment was entered that the property should be restored, there could be no liability on the part of the sureties (Sapugay v. Court of Appeals, 183 SCRA 464 [1990]).

PREMISES CONSIDERED, the instant petition is DISMISSED and the assailed decision is AFFIRMED.

SO ORDERED.

Melencio-Herrera, (Chairman), Padilla, Sarmiento, and Regalado, JJ., concur.

* Penned by Associate Justice Ricardo L. Pronove, Jr. and concurred in by Associate Justices Alfredo L. Benipayo and Salome A. Montoya.

** Penned by Judge Rodolfo A. Ortiz.

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