

NICANOR G. DE GUZMAN, JR., PETITIONER, VS. HON. COURT OF APPEALS, FORMER FIFTH DIVISION, HON. REGIONAL TRIAL COURT, NATIONAL CAPITAL JUDICIAL REGION, BR. 48, MANILA, AND ENRIQUE...

G.R. Nos. 92029-30. December 20, 1990

Ponente: GANCAYCO, J.

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GANCAYCO, J.:

A cause of action is the fact or combination of facts which affords a party a right to judicial interference in his behalf.[1] An action means an ordinary suit in a court of justice, by which one party prosecutes another for the enforcement or protection of a right, or the prosecution or redress of a wrong.[2]

The cause of action must always consist of two elements: (1) the plaintiff's primary right and the defendant's corresponding primary duty, whatever may be the subject to which they relate - person, character, property or contract; and (2) the delict or wrongful act or omission of the defendant, by which the primary right and duty have been violated.[3] The cause of action is determined not by the prayer of the complaint but by the facts alleged.[4]

The term right of action is the right to commence and maintain an action.[5] In the law on pleadings, right of action is distinguished from cause of action in that the former is a remedial right belonging to some persons, while the latter is a formal statement of the operative facts that give rise to such remedial right. The former is a matter of right and depends on the substantive law, while the latter is a matter of statement and is governed by the law of procedure.[6]

The right of action springs from the cause of action, but does not accrue until all the facts which constitute the cause of action have occurred.[7] When there is an invasion of primary rights, then and not until then does the adjective or remedial law become operative, and under it arise rights of action. There can be no right of action until there has been a wrong - a violation of a legal right - and it is then given by the adjective law.[8]

The herein petition for review on certiorari of a decision of the Court of Appeals dated January 30, 1990 in CA G.R. No. 22481[9] puts into test the sufficiency of the cause of action of a complaint filed in the Regional Trial Court of Manila.

The undisputed antecedents are that on September 15, 1988, petitioner filed a complaint for damages and other equitable reliefs in the trial court, the relevant allegations of which are as follows:

"3. Plaintiff and defendant have been friends and in the course of this relationship, they have exchanged mutual favors and accommodations, including discounting of checks for cash.

4. More than seven (7) years ago, several checks were issued by plaintiff to defendant in exchange for cash which probably amounted to P280,900.00. In due time, these checks were either fully paid, settled, extinguished or condoned by agreement of the parties, and for which reason, plaintiff did not anymore redeem the checks precisely because they have been close and mutual friends.

5.a. Lately, however, plaintiff received from defendant's lawyer a demand letter dated 1988 supposedly detailing out therein the former's obligation to the latter, as follows:

Principal Amount (Value of 66 dishonored checks)

P 280,900.00

Legal Interest at 1% per Month (For 84 months or 7 years)

235,956.00

Attorney's Collection Fee (At 10% Only)

51,685.00

TOTAL Amount Due

P 568, 541.00

Copy of said letter is attached hereto as Annex A and made an integral part hereof.

b. The claim of P568,541.00 is not due and owing from the plaintiff to the defendant because, as already stated, the amounts of the checks issued to defendant some more than (7) years ago, were either fully paid, settled, extinguished or treated as condoned by agreement of the parties.

6. In the said letter, Annex A hereof, defendant threatened to "institute the proper action and hold (plaintiff) liable for the consequence," in the following manner:

... unfortunately, you had not heeded his (defendant's) request and so we hereby inform you that this shall definitely be our last letter to you on this matter and we are giving you a final period of ten (10) days from receipt hereof to remit full payment of said sum of P568,541.00, otherwise, without need of further advice to you, we shall institute the proper action and hold you liable for the consequence.

7. Defendant knows fully well that the sum of P568,541.00 is not wholly or partly due or owing to him from plaintiff particularly the huge, fantastic, and unwarranted claim for alleged legal interests in the sum of P235,956.00 which roughly accounts for 84% of the alleged principal amount being collected by defendant from plaintiff under his ill-tenored Annex A hereof, and the unwarranted claim for attorney's collection fees of P51,685.00.

8. Plaintiff is very reluctant to file the instant complaint against his defendant friend but was gravely agitated to do so because of a clearly perceived and palpable injury to him as unequivocally expressed in defendant's letter, Annex A hereof.

9. In the circumstances given, defendant has kept possession of the alleged checks amounting to P280,900.00 at the expense of plaintiff and since the obligation thereunder has either been fully or wholly paid, settled, extinguished, or condoned by agreement of the parties, defendant holds them without just or legal ground and is bound to return them to plaintiff.

10. In writing the letter, Annex A hereof and demanding therein an obligation from plaintiff which is not due and owing from the latter, defendant failed to act with justice, observe honesty and good faith.

11. To prosecute the instant action, plaintiff has incurred actual expenses in the sum of at least P15,000.00.

12. In the circumstances herein-above given, defendant acted in a wanton, reckless, oppressive, or malevolent manner. Hence, exemplary damages in the sum of P200,000.00 should be imposed against the defendant for the public good, in addition to other damages claimed herein.

13. Nominal damages should be adjudicated against the defendant in order that the right of plaintiff which has been invaded by the defendant, may be vindicated or recognized, and not for the purpose of indemnifying the plaintiff for any loss suffered by the latter.

14. To prosecute the case herein, plaintiff has retained the services of counsel at the agreed attorney's fees of P75,000.00.

WHEREFORE, it is respectfully prayed that, after due hearing, judgment be rendered in favor of plaintiff and against defendant, as follows:

1. Ordering defendant to pay plaintiff the sum of P15,000.00 as actual or compensatory damages;
2. Ordering the defendant to pay plaintiff the exemplary damages in the sum of P200,000.00;
3. Ordering defendant to return to plaintiff the several checks mentioned in Annex A of the complaint and adjudicating nominal damages in favor of plaintiff and against the defendant;
4. Ordering defendant to pay plaintiff the sum of P75,000.00 for and as attorney's fees; and
5. Ordering the defendant to pay the costs of the suit.

Plaintiff prays for other relief just and proper in the premises of the case."[10]

On October 8, 1988, private respondent filed a motion to dismiss the complaint for lack of cause of action and prescription. An opposition thereto was filed by petitioner to which a reply was made by private respondent. After a rejoinder was submitted by petitioner, on November 24, 1988 the trial court dismissed the complaint for failure to state a cause of action.[11]

A motion for reconsideration thereof filed by petitioner, which was opposed by private respondent, and to which a reply was filed by petitioner, was denied by the trial court on March 17, 1989.[12]

Hence, petitioner filed a petition for certiorari and mandamus and other relief in the Court of Appeals against said orders of the trial court. As earlier stated, on January 30, 1990, the Court of Appeals rendered its decision dismissing the appeal with costs against petitioner.

Thus, the herein petition whereby petitioner alleges that the trial court committed a grave abuse of discretion in issuing the questioned orders dated November 24, 1988 and March 17, 1989, and that the Court of Appeals did likewise in dismissing the appeal of petitioner thereby disregarding a question of substance not in accord with law.

The petition is impressed with merit.

A reading of the complaint shows that it is therein alleged that more than seven (7) years ago, several checks were issued by petitioner to private respondent in exchange for cash amounting to P280,900.00; that in due time, said checks were "either fully paid, settled, extinguished or condoned by agreement of the parties" so petitioner did not anymore redeem the checks because of their friendship; that on August 30, 1988, private respondent's lawyer sent a letter of demand to petitioner to pay said principal amount plus interest and attorney's fees with a total amount due of P568,541.00, which claim is not due and owing having been settled between the parties; that in said letter threat of court action was made causing injury to petitioner; that private respondent illegally withheld the petitioner's checks which should be returned to petitioner; that for private respondent's act of demanding payment for an obligation not due and for the former's failure to act with justice, observe honesty and good faith, petitioner prays for relief by way of actual, exemplary and nominal damages, and also prays that the private respondent be ordered to return to petitioner the checks mentioned in the complaint, and to pay the costs.

Contrary to the findings of the lower court and the appellate court that the complaint states no cause of action, this Court finds and so holds that it states a sufficient cause of action.

It must be remembered that when a party files a motion to dismiss the complaint for lack of cause of action he is deemed to hypothetically admit the allegations thereof.

From the allegation of the complaint in this case it appears that, (1) petitioner has a primary right, because of having paid his obligation to private respondent, to have the checks he issued to cover the amount returned to him or otherwise cancelled by private respondent; and (2) the primary right of petitioner was violated when private respondent demanded payment of a settled obligation relying on the very checks of petitioner he had not returned. Consequently, on account of such demand for payment for an obligation duly settled, the petitioner thereby, suffered damages[13] and should be afforded such relief as prayed for in the complaint.

Contrary to the observation made by the appellate court, the cause of action had not prescribed. The cause of action accrued only on August 20, 1988 when in a demand letter for payment private respondent thereby committed a wrongful act against petitioner. The complaint was filed promptly on September 15, 1988, well within the four (4) year prescriptive period of an action of this nature.[14]

WHEREFORE, the petition is GRANTED and the questioned decision of the Court of Appeals dated January 30, 1990 as well as the questioned orders of the Regional Trial Court of Manila dated November 24, 1988 and March 17, 1989, are hereby REVERSED AND SET ASIDE. Let the records of this case be remanded to the trial court for further proceedings. Costs against private respondent.

SO ORDERED.

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

[1] Baltimore, etc., R. Co. vs. Larwill, 83 OH. St. 108, 115; 93 NB 619; see also Comments on Rules of Court of Justice Ruperto Martin, Vol. I, Revised Edition, page 106; Hagans vs. Wislezemus, 42 Phil. 880 (1920).

[2] Section 1, Rule 2, Rules of Court of the Philippines.

[3] Pomeroy Code Rem., Section 519 quoting Smith vs. Smith, 50 S.C. 54, 67, 27 S.E. 545; see Martin, supra.

[4] 21 R.C.L. 489; Section 126, C.C. P.I.; Cagibao vs. Lim, 50 Phil. 844 1924); see Martin, supra.

[5] Boody vs. Wetson, 64 N.H. 162, 9A, FE4; see Martin, supra.

[6] Marquez vs. Varela, G.R. No. L-4845, December 24, 1952; 48 O.G. 5372, December, 1952; Martin, supra.

[7] White vs. Rio Grande Western R. Co., 25 Utah 346, 349, 71 P. 593; Martin, supra.

[8] Columbus vs. Anglin, 120 GA. 785, 790, 48 S.E. 318; see also Justice Martin, etc. supra, page 167.

[9] Justice Jesus M. Elbinias was the ponente, concurred in by Justices Antonio M. Martinez and Celso L. Magsino.

[10] Pages 55 to 59, rollo.

[11] Annex F to petition; page 89, rollo.

[12] Annex J to petition; page 103, rollo.

[13] Articles 19, 20 and 21, 2176, Civil Code.

[14] Article 1146(1), Civil Code.

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