

THIRD DIVISION

[G.R. No. 225438, January 20, 2021]

VOLTAIRE HANS N. BONGCAYAO,* DOING BUSINESS UNDER THE NAME AND STYLE OF VHB BIOPRO ENTERPRISES, AND PETE NICOMEDES PRADO, PETITIONERS, VS. CONFEDERATION OF SUGAR PRODUCERS COOPERATIVES (CONFED), JOSE J. JISON AND PRUDE GUARANTEE AND ASSURANCE, INC., RESPONDENTS.

DECISION

INTING, J.:

Before the Court is a Petition for Review^[1] on *Certiorari* under Rule 45 of the Rules of Court assailing the Decision^[2] dated January 19, 2016 and the Resolution^[3] dated June 28, 2016 of the Court of Appeals (CA) in CA-G.R. CV No. 102712 that reversed and set aside the Decision^[4] dated March 11, 2014 of Branch 133, Regional Trial Court (RTC), Makati City in Civil Case No. 08-222.

The pertinent facts are as follows:

On October 16, 2007, the Confederation of Sugar Producers Cooperatives (CONFED) solicited the services of VHB Biopro Enterprises (VHB Biopro) and Voltaire Hans N. Bongcayao, through a Letter of Intent^[5] signed by the Chief Operating Officer and General Manager of CONFED, Mr. Jose J. Jison (Jison), regarding its intention to purchase urea fertilizers. On October 29, 2017, petitioner Pete Nicomedes Prado (Prado), the attorney-in-fact of VHB Biopro, informed CONFED of VHB Biopro's willingness to supply urea fertilizers.^[6]

On December 11, 2007, VHB Biopro and CONFED executed a Sales and Purchase Agreement.^[7] In the agreement, VHB Biopro committed to supply and deliver to CONFED 250,000 bags of urea agricultural grade fertilizer in Bredco Port, Bacolod City after CONFED's opening of domestic letter of credit. Likewise, the parties agreed that VHB Biopro shall procure in favor of CONFED, a Performance Bond,^[8] through Prudential Guarantee and Assurance, Inc. (PGAI) amounting to P5,000,000.00, to guarantee the performance of VHB Biopro's contractual obligations.^[9]

On December 26, 2007, VHB Biopro, represented by Prado, procured a Performance Bond from PGAI in the amount of P5,000,000.00 and secured its payment with a real estate mortgage.

On January 14, 2008, CONFED opened and secured Irrevocable Transferrable Documentary Credit No. BCD2008-01D^[10] (Domestic Letter of Credit) from the Land Bank of the Philippines in the amount of P177,500,000.00 in favor of VHB Biopro.

However, VHB Biopro reneged on its obligation to deliver urea fertilizers to CONFED. As a result, CONFED, through its Chairman Roberto J. Cuenca, demanded from PGAI to pay the amount of P5,000,000.00 in accordance with the Performance Bond.^[11] In no time, PGAI paid CONFED the amount of the Performance Bond as evidenced by a release and quitclaim and an Official Receipt^[12] dated April 2, 2008.

When VHB Biopro and Prado received a notice from PGAI that CONFED made a claim on the Performance Bond, they immediately filed a Complaint (with Application for the Issuance of Temporary Restraining Order (TRO) and/or Writ of Preliminary Injunction)^[13] dated March 17, 2008 before the RTC. VHB Biopro and Prado prayed for the nullification of the Sales and Purchase Agreement they executed with CONFED on the ground that the period within which CONFED shall confirm its acceptance of the delivery of the urea fertilizers and the period within which the balance of the purchase price may be collected were not clearly reflected in the Sales and Purchase Agreement. Also, they wanted to enjoin PGAI from foreclosing, processing, and/or collecting on any claim involving the Performance Bond that it issued in favor of CONFED.^[14]

VHB Biopro and Prado argued that prior to the signing of the agreement, they observed that the Sales and Purchase Agreement was silent on the time frame within which CONFED shall confirm its acceptance of the delivery of the urea fertilizers and on the period within which the balance of the purchase price may be collected. According to them, Jison repeatedly assured them that the balance of the purchase price shall be payable within seven days from the physical delivery of the urea fertilizers which will be confirmed in writing. Relying on Jison's representation, VHB Biopro and Prado signed the subject Sales and Purchase Agreement. Likewise, VHB Biopro and Prado alleged that the bank required the information as to when CONFED will submit the buyer's acceptance certificate which led them to clarify the matter with CONFED. Prado repeatedly requested CONFED to confirm the time frame in which it will accept the delivery of the urea fertilizers, but CONFED disregarded the requests.^[15]

For its part, CONFED denied that Jison assured VHB Biopro that the balance of the purchase price shall be payable within seven days from the physical delivery of urea fertilizers. CONFED maintained that based on Article 09 of the Sales and Purchase Agreement, CONFED shall pay: *"First is 50% of the total shipment value upon submission of all documents specified in Article 12 covering the 50% of the Total Shipment Value, Quantity and Quality. Second payment is the balance of Fifty (50%) of the Total Shipment Value as Full Payment upon completion of delivery and final acceptance by the buyer of the Total Shipment Quantity."*^[16]

CONFED likewise asserted that there is no ambiguity in the Sales and Purchase Agreement because the acceptance certificate will be issued immediately only after the inspection of the product in accordance with Article 07 of the Sales and Purchase Agreement.^[17]

CONFED finally asserted that VHB Biopro's failure to deliver the fertilizer on March 4, 2008, which is the agreed delivery date, gave it the legal right to collect the Performance Bond issued by PGAI. By way of counterclaim, CONFED claimed P30,000,000.00 as actual and compensatory damages in the form of tremendous losses in terms of profits from intended sales to CONFED's members/cooperatives.

CONFED also demanded P5,000,000.00 by way of temperate damages, P2,000,000.00 as moral damages, and P1,000,000.00 as attorney's fees.^[18]

For PGAI, it claimed that it had faithfully complied with its obligation to pay CONFED, as a surety, pursuant to the Performance Bond. PGAI emphasized that VHB Biopro and Prado executed an indemnity agreement wherein they bound themselves to unconditionally pay or reimburse the former the P5,000,000.00 that it had paid. PGAI claimed, by way of counterclaim, the amounts of P1,000,000.00 as compensatory damages, P500,000.00 as exemplary damages, P100,000.00 as attorney's fees, and P5,000.00 per court appearance.^[19]

On April 10, 2008, the RTC issued a TRO^[20] against PGAI restraining it from foreclosing and collecting any claim involving the Performance Bond. Upon motion of PGAI, the RTC dissolved the injunction on August 1, 2012.^[21]

The Ruling of the RTC

On March 11, 2014, the RTC rendered a Decision.^[22] The dispositive portion of the Decision reads:

WHEREFORE, judgment is hereby rendered in favor of the plaintiffs Voltaire Hans Boncayao and Pete Nicomedes Prado and against defendants Confederation of Sugar Producers Cooperatives and Prudential Guarantee and Assurance Inc., and the Court issues the following orders, to wit:

1. Defendant Confederation of Sugar Producers Cooperatives is directed to return to Prudential Guarantee and Assurance Inc., the amount of Five Million Pesos (P5,000,000.00) representing the amount of the Performance Bond;
2. Defendant Prudential Guarantee and Assurance Inc. is directed to return to plaintiff Pete Nicomedes Prado the property or document evidencing the security given by plaintiff Pete Nicomedes Prado for the Performance Bond free from the mortgage or any other lien or encumbrance arising out of the procurement of the Performance Bond or the claim made upon the Performance Bond by defendant Confederation of Sugar Producers Cooperative; and finally,
3. The counter-claim of the defendants is DISMISSED.

SO ORDERED.^[23]

On April 14, 2014, PGAI filed a Notice of Partial Appeal.^[24] On the other hand, CONFED and Jison filed a Notice of Appeal^[25] on April 15, 2014. Both assailed the RTC Decision.

The Ruling of the CA

On January 19, 2016, the CA reversed and set aside the RTC. It disposed of the case as follows:

WHEREFORE, premises considered, the Partial Appeal filed by Defendant-Appellant Prudential Guarantee and Assurance Inc., and Appeal filed by Defendant-Appellant Confederation of Sugar Producers Cooperatives and Jose J. Jison are hereby GRANTED. The assailed Decision dated March 11, 2014 of the Regional Trial Court, City of Makati, Branch 133 in Civil Case No. 08-222 is hereby REVERSED. Consequently, the RTC's directive in the assailed Decision 1) ordering Confederation of Sugar Producers Cooperatives to return Php5,000,000.00 to Prudential Guarantee and Assurance Inc. representing the performance bond and 2) ordering Prudential Guarantee and Assurance Inc. to return the property or document evidencing such security, are hereby SET ASIDE.

A new judgment is hereby rendered DISMISSING Plaintiffs Appellees' complaint for lack of merit.

Defendant-Appellant Prudential Guarantee and Assurance Inc.'s counterclaims are hereby DISMISSED for lack of evidence.

Meanwhile, Defendant-Appellant Confederation of Sugar Producers Cooperative's claim for compensatory damages is hereby GRANTED. Plaintiffs-Appellees VHB Biopro Enterprises and Dr. Pete [Nicomedes] Prado are hereby ordered to pay, jointly and solidarily, the amount of Php30,000,000.00 by way of damages for lost profits. Confederation of Sugar Producers Cooperative's claims for moral damages and attorney's fees are hereby denied for lack of merit.

SO ORDERED.^[26]

Aggrieved, petitioners come before the Court raising the following grounds, to wit:

I

The Honorable Court of Appeals committed error of law when it reversed the *Decision of the RTC of Makati*.

II

Assuming, for the sake of argument, that petitioner VHB Biopro was in default, the Honorable Court of Appeals committed error of law when it awarded compensatory damages in favor of respondent CONFED.^[27]

Petitioners contend that the subject Sales and Purchase Agreement does not reflect their verbal agreement that the balance of the purchase price shall be paid seven days upon complete delivery of the urea fertilizers. Thus, they insist that the Sales and Purchase Agreement is ambiguous. Moreover, petitioners claim that the lack of a fixed time frame on inspection and payment makes the subject contract void because it is as if inspection and payment depend upon the will of CONFED which violates the principle of mutuality of contracts under the Civil Code of the Philippines (Civil Code). Finally, petitioners posit that granting, *arguendo*, that VHB Biopro was in default, the compensatory damages awarded in favor of CONFED is unjust.

Our Ruling

The Court denies the petition.

The crux of the controversy is the determination of whether the Sales and Purchase Agreement entered into by the parties is clear and whether petitioners breached it making CONFED's resort to the Performance Bond proper.

The Court reiterates that in a petition for review on *certiorari* under Rule 45 of the Rules of Court, its jurisdiction is generally limited to reviewing errors of law. Section 1, Rule 45 of the Rules of Court states that the petition filed shall raise only questions of law, which must be distinctly set forth. The Court explained the difference between a question of fact and a question of law in this wise:

A question of law arises when there is doubt as to what the law is on a certain state of facts, while there is a question of fact when the doubt arises as to the truth or falsity of the alleged facts. For a question to be one of law, its resolution must not involve an examination of the probative value of the evidence presented by the litigants but must rely solely on what the law provides on the given set of facts. If the facts are disputed or if the issues require an examination of the evidence, the question posed is one of fact. The test, therefore, is not the appellation given to a question by the party raising it, but whether the appellate court can resolve the issue without examining or evaluating the evidence, in which case, it is a question of law, otherwise, it is a question of fact.

[28]

However, the foregoing rule admits of several exceptions such as where the findings of the RTC and the CA are conflicting or contradictory^[29] as in the case at bench. Thus, the Court is constrained to make its own factual findings in order to resolve the issues raised.

The Court is tasked to determine if petitioners breached the terms of the Sales and Purchase Agreement.

It is well settled that when the terms of a contract are clear and leave no room for interpretation, the literal meaning of its stipulations shall therefore control.^[30] Thus, once a contract is perfected, it binds both parties and the stipulations therein shall be respected.^[31] Considering that the parties entered into a clear and unambiguous Sales and Purchase Agreement, it constituted the law between them. It is the formal expression of their rights, duties, and obligations.^[32]

In *Norton Resources and Dev 't. Corp. v. All Asia Bank Corp.*,^[33] the Court ruled thus:

The cardinal rule in the interpretation of contracts is embodied in the first paragraph of Article 1370 of the Civil Code: "[i]f the terms of a contract are clear and leave no doubt upon the intention of the contracting parties, the literal meaning of its stipulations shall control." x x x. A court's purpose in examining a contract is to interpret the intent of the contracting parties, as objectively manifested by them. The process of interpreting a contract requires the court to make a preliminary inquiry as to whether the contract before it is ambiguous. A contract provision is ambiguous if it is susceptible of two reasonable alternative interpretations. Where the written terms of the contract are not