

FIRST DIVISION

[G.R. No. 239644, February 03, 2021]

**SPOUSES MARIO AND JULIA GASPAR, PETITIONERS, VS.
HERMINIO ANGEL E. DISINI, JR., JOSEPH YU, DOING BUSINESS
UNDER THE NAME AND STYLE LEGACY LENDING INVESTOR AND
DIANA SALITA, RESPONDENTS.**

DECISION

CAGUIOA, J.:^[]**

The Case

This is a Petition for Review on *Certiorari*^[1] (Petition) filed under Rule 45 of the Rules of Court against the Decision^[2] dated January 12, 2018 (assailed Decision) and Resolution^[3] dated May 21, 2018 (assailed Resolution) in CA-G.R. CV No. 107441 rendered by the Court of Appeals^[4] (CA).

The assailed Decision and Resolution affirmed with modification the Decision dated April 13, 2016 issued by the Regional Trial Court (RTC) of Manila, Branch 18 in Civil Case No. 06-115408 insofar as it directed petitioners Spouses Mario and Julia Gaspar (Spouses Gaspar) to pay respondent Herminio Angel E. Disini, Jr. (Disini) the amount of P760,000.00.

The Facts

The CA narrated the facts, as follows:

The property subject of [the] litigation is a year 2000 model, white Mitsubishi Pajero with plate number WVC-555. The subject vehicle, registered in the name of a certain Artemio Marquez (Marquez), was mortgaged by the latter as security for a loan obtained from Legacy Lending Investor (Legacy). Legacy is owned by x x x Joseph Yu (Yu). Marquez failed to pay his loan, leading Legacy to seize the Pajero. To facilitate the disposal of the Pajero, Marquez executed and signed a Deed of Sale in blank[,] that is, without the name and details of the buyer.

[Spouses Gaspar] who are engaged in the business of buying and selling second-hand vehicles, purchased the subject Pajero from Legacy for the price of [P1,000,000.00], as shown by a manager's check for said amount, and a receipt therefor signed by x x x Diana Salita [(Salita), Yu's employee], dated [July 12, 2002.]

xxx Rocky Gaspar (Rocky), son of the Spouses Gaspar, offered the Pajero for sale to [Disini], who agreed to buy it for the total purchase price of

[P]1,160,000.00. On [July 22, 2002], Disini gave a downpayment of [P50,000.00] duly received by Rocky. On [July 23, 2002], Disini filled in his details and signed the Deed of Sale previously executed by [Marquez]. On [July 30, 2002], Disini paid the balance of [P]1,110,000.00, after the Spouses Gaspar obtained a Motor Vehicle Clearance Certificate, dated [July 26, 2002], and registered the subject Pajero in the name of Disini on [August 6, 2002.]

About a year later, on [June 30, 2003], the police apprehended the subject Pajero while it was illegally parked in Makati. Further police investigation revealed that the vehicle had been stolen from the Office of the President. It appears that the chassis number had been overlaid with another number through welding in order to avoid identification.

Disini immediately informed the Spouses Gaspar about the confiscation of the subject Pajero, and the latter promised to return the full purchase price that he had paid to them. In turn, the Spouses Gaspar sought reimbursement from [Yu] and Legacy, and the latter gave back [P150,000.00]. The Spouses Gaspar turned over the [P150,000.00] to Disini on [July 22, 2003.] On [August 5, 2003], the Spouses Gaspar paid further [P200,000.00] to Disini, and finally [P50,000.00] on [December 3, 2003] for a total reimbursement of [P400,000.00] and leaving an unpaid balance of [P760,000.00.]

Apart from the [P150,000.00] initially returned by [Yu] to the Spouses Gaspar, [Yu] failed to reimburse the balance of the purchase price paid by the Spouses Gaspar for the subject Pajero in the amount of [P850,000.00.]

When written demand failed, Disini filed [a complaint for sum of money with prayer for preliminary attachment (Complaint)] against Rocky and the Spouses Gaspar to collect the unpaid reimbursement of what he paid for the subject Pajero.

In turn, the [Spouses Gaspar] filed a third-party complaint against [Yu] and his employee [Salita] for the unpaid reimbursement of P850,000.00.

[5] (Emphasis supplied; emphasis in the original omitted; italics in the original)

After trial, the RTC rendered a Decision directing: (i) Spouses Gaspar to refund the amount of P760,000.00 with legal interest in favor of Disini, and pay the latter attorney's fees in the amount of P50,000.00; (ii) Yu to reimburse Spouses Gaspar the amount of P850,000.00 with legal interest, and to pay the latter attorney's fees also in the amount of P50,000.00.^[6]

The RTC dismissed the third-party complaint as against Salita.^[7]

Spouses Gaspar and Yu filed separate appeals that were later consolidated by the CA.

For their part, Spouses Gaspar argued that the order directing them to pay Disini

attorney's fees is baseless as there was no finding that they acted in bad faith. Further, Spouses Gaspar assailed the dismissal of the third-party complaint against Salita.^[8]

On the other hand, Yu and Salita argued that they should not be held liable to reimburse Spouses Gaspar considering that: (i) their implied warranty as sellers does not extend to defects which are apparent and can be ascertained by the buyers after examination; (ii) Spouses Gaspar are engaged in the business of buying and selling cars and must bear the risk involved in the purchase of the subject Pajero following the principle of *caveat emptor*; and (iii) as sellers, Yu and Salita relied on the Certificate of Registration and clearances provided by their mortgagee, Marquez, and should thus be deemed sellers in good faith. Yu and Salita also assailed the order directing them to pay attorney's fees in favor of Spouses Gaspar.^[9]

CA proceedings

On January 12, 2018, the CA issued the assailed Decision, the dispositive portion of which reads:

WHEREFORE, the x x x *Decision* dated [April 13, 2016] of the [RTC], Branch 18, Manila, in Civil Case No. 06-115408, for Sum of Money with Prayer for Preliminary Attachment, (1) ordering original defendants [Spouses] Gaspar to refund the amount of [P760,000.00] with legal interest to plaintiff Disini, as well as pay [P50,000.00] as attorney's fees; and (2) ordering third-party defendant [Yu] to reimburse defendants [Spouses] Gaspar the amount of [P850,000.00] with legal interest, and to pay [P50,000.00] as attorney's fees is ***AFFIRMED with MODIFICATION in that the award of attorney's fees to Disini is DELETED. Further, the third-party complaint against [Yu] and [Salita] is DISMISSED for having been filed out of time. All orders not inconsistent with the foregoing are affirmed.***

SO ORDERED.^[10](Additional emphasis supplied; italics in the original)

Foremost, the CA noted that during the course of trial, it was established that Spouses Gaspar promised to return Disini's money in case the title of the subject Pajero is found to be defective. Spouses Gaspar followed through with this promise when they partially returned Disini's payment. However, Spouses Gaspar failed to return the purchase price in full due to lack of funds.^[11] The CA found that these circumstances show that Spouses Gaspar did not act in bad faith.^[12]

However, the CA found that the RTC also erred in ordering Yu to reimburse Spouses Gaspar the amount they returned to Disini, and to pay them attorney's fees.^[13]

According to the CA, the sale of the subject Pajero from Yu to Spouses Gaspar gave rise to an implied warranty of title and a concomitant implied warranty against eviction. These implied warranties, in turn, prescribe six (6) months from date of delivery of the thing sold pursuant to Article 1571 of the Civil Code. Here, Spouses Gaspar filed the third-party complaint against Yu and Salita on October 9, 2006, or nearly four (4) years after delivery of the subject Pajero on July 12, 2002. Thus, said third-party complaint was filed out of time.^[14]

The CA added that in any event, Spouses Gaspar's line of business made it incumbent upon them to thoroughly verify and examine the subject Pajero's registration and documents as against the physical body of the vehicle. Spouses Gaspar ought to have known that the subject Pajero was stolen as they were the ones who secured the Philippine National Police clearances and Certificate of Registration on Disini's behalf.^[15]

In the assailed Resolution, the CA denied Spouses Gaspar's subsequent motion for partial reconsideration.^[16] Spouses Gaspar received a copy of the assailed Resolution on June 5, 2018.^[17]

On June 19, 2018, Spouses Gaspar filed a Motion for Extension of Time to File Petition for Review on Certiorari,^[18] There, Spouses Gaspar prayed for an additional period of thirty (30) days from June 20, 2018, or until July 20, 2018 within which to file their petition for review.^[19]

This Petition was filed on July 20, 2018.^[20]

Yu and Salita filed their Motion for Additional Time which prayed for an additional period of fifteen (15) days from November 8, 2018, or until November 23, 2018 to file their comment. Yu and Salita filed their Comment^[21] on the last day of the period so requested.^[22]

On the other hand, Disini filed a Motion for Extension of Time to File Comment.^[23] There, Disini requested for an additional period of thirty (30) days from November 4, 2018 or until December 4, 2018 within which to file his comment on the Petition^[24] However, Disini failed to file his comment within the requested period.

In its Resolution^[25] dated August 28, 2019, the Court dispensed with the filing of Disini's comment and ordered Spouses Gaspar to file their Reply to Yu and Salita's Comment.

Spouses Gaspar filed their Reply^[26] on November 4, 2019.^[27]

In this Petition, Spouses Gaspar argue that the CA misapplied the rule on implied warranties under Article 1561 of the Civil Code. They claim that the warranty against hidden defects pertains to defects in workmanship. Here, the subject Pajero is not defective but rather, stolen.^[28] Thus, Spouses Gaspar assert that this case does not involve a breach of implied warranties, but rather, a fraudulent sale facilitated by Yu and Salita.^[29] On this score, they posit that the applicable prescriptive period is ten (10) years, as set forth in Article 1144 of the Civil Code which governs actions based on written contracts.^[30]

Further, Spouses Gaspar contend that the proximate cause of the dispute is Yu and Salita's wanton and careless disregard in the acceptance of the subject Pajero as collateral for Marquez's loan.^[31] They stress that Yu and Salita run a lending company whose business is akin to that of banks and other financial institutions. Thus, they cannot be considered as ordinary mortgagees, as the general rule that a

mortgagee need not look beyond the title does not apply to banks and other financial institutions which are required to exercise extraordinary care and diligence in their operations.^[32]

The Issues

The issues presented for the Court's resolution are:

1. Whether the CA erred in dismissing the third-party complaint filed by Spouses Gaspar against Yu and Salita; and
2. Whether the CA erred in holding that Yu and Salita are not liable to pay Spouses Gaspar attorney's fees.

The Court's Ruling

As a starting point, it must be emphasized that Spouses Gaspar do not assail their liability to pay Disini the balance of the purchase price of the subject Pajero. Instead, they insist on their right to be reimbursed through the third-party complaint they filed against Yu and Salita.

Section 11, Rule 6 of the Rules of Court details the nature of a third-party complaint, thus:

SEC. 11. *Third, (fourth, etc.)-party complaint.* — A third (fourth, etc.)-party complaint is a claim that a defending party may, with leave of court, file against a person not a party to the action, called the third (fourth, etc.)-party defendant, for contribution, indemnity, subrogation or any other relief, in respect of his opponent's claim.

In *Firestone Tire and Rubber Company of the Philippines v. Tempongko*,^[33] the Court expounded on the nature of a third-party complaint:

The third-party complaint, is therefore, a procedural device whereby a "third party" who is neither a party nor privy to the act or deed complained of by the plaintiff, may be brought into the case with leave of court, by the defendant, who acts as third-party plaintiff to enforce against such third-party defendant a right for contribution, indemnity, subrogation or any other relief, in respect of the plaintiffs claim. The third-party complaint is actually independent of and separate and distinct from the plaintiffs complaint. Were it not for this provision of the Rules of Court, it would have to be filed independently and separately from the original complaint by the defendant against the third-party. But the Rules permit defendant to bring in a third-party defendant or so to speak, to litigate his separate cause of action in respect of plaintiffs claim against a third party in the original and principal case with the object of avoiding circuitry of action and unnecessary proliferation of lawsuits and of disposing expeditiously in one litigation the entire subject matter arising from one particular set of facts, xxx When leave to file the third-party complaint is properly granted, the Court renders in effect two judgments in the same case, one on the plaintiffs complaint and the other on the third-party complaint. **When he finds favorably on both complaints, as in this case, he renders judgment on the principal complaint in favor of plaintiff against defendant and renders another judgment**