

FIRST DIVISION

[G.R. No. 158649, February 18, 2013]

**SPOUSES QUIRINO V. DELA CRUZ AND GLORIA DELA CRUZ,
PETITIONERS, VS. PLANTERS PRODUCTS, INC., RESPONDENT.**

D E C I S I O N

BERSAMIN, J.:

If 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.^[1] In determining their intention, their contemporaneous and subsequent acts shall be principally considered.^[2]

Under review on *certiorari* are the Decision promulgated on April 11, 2003 in C.A.-G.R. No. CV No. 57446,^[3] whereby the Court of Appeals (CA) affirmed the judgment rendered on October 29, 1997 by the Regional Trial Court, Branch 66, (RTC) in Makati City (ordering the petitioners liable to pay the respondent the amount of P240,335.10 plus 16% interest *per annum* commencing from July 9, 1985 until full payment, and the sum of P20,000.00 as attorney's fees and cost of litigation);^[4] and the resolution promulgated on June 9, 2003, whereby the CA denied the motion for reconsideration of the petitioners.^[5]

Antecedents

Spouses Quirino V. Dela Cruz and Gloria Dela Cruz, petitioners herein, operated the Barangay Agricultural Supply, an agricultural supply store in Aliaga, Nueva Ecija engaged in the distribution and sale of fertilizers and agricultural chemical products, among others. At the time material to the case, Quirino, a lawyer, was the Municipal Mayor of Aliaga, Nueva Ecija.^[6]

On March 23, 1978, Gloria applied for and was granted by respondent Planters Products, Inc. (PPI) a regular credit line of P200,000.00 for a 60-day term, with trust receipts as collaterals.^[7] Quirino and Gloria submitted a list of their assets in support of her credit application for participation in the Special Credit Scheme (SCS) of PPI.^[8] On August 28, 1978, Gloria signed in the presence of the PPI distribution officer/assistant sales representative two documents^[9] labelled "Trust Receipt/Special Credit Scheme," indicating the invoice number, quantity, value, and names of the agricultural inputs (i.e., fertilizer or agricultural chemicals) she received "upon the trust" of PPI. Gloria thereby subscribed to specific undertakings, as follows:

For and in consideration thereof, I/We hereby agree to hold said goods in trust for PPI, as its property, with liberty to deliver and sell the same for

PPI's account, in favor of farmers accepted to participate in PPI's Special Credit Scheme within 60 days from receipt of inputs from PPI. In case of such delivery and sale, I/We agree to require the execution of a Trust Agreement by the farmer-participants in my/our favor, which Agreement will in turn be Assigned by me/us in favor of PPI with Recourse. In the event, I/We cannot deliver/serve to the farmer-participants all the inputs as enumerated above within 60 days, then I/We agree that the undelivered inputs will be charged to my/our credit line, in which case, the corresponding adjustment of price and interests shall be made by PPI.^[10]

Gloria expressly agreed to: (a) "supervise the collection of the equivalent number of cavanos of palay and/or corn from the farmer-participant" and to "turn over the proceeds of the sale of the deposited palay and corn as soon as received, to PPI to be applied against the listed invoices"; (b) "keep said fertilizer and pesticides insured at their full value against fire and other casualties prior to delivery to farmer-participants, the sum insured to be payable in case of loss to PPI, with the understanding that PPI is not to be chargeable with the storage, insurance premium, or any other expenses incurred on said goods"; (c) "keep the said fertilizer and pesticides, prior to delivery to the farmer-participants, separate and capable of identification as the property of PPI inside my/our warehouse"; and (d) "require the farmer-participants to deposit the palay or corn sufficient to cover their respective accounts within 72 hours after the harvest of the farmer-participants" and should the farmer-participants refuse to make the required deposit, Gloria would notify PPI thereof within 24 hours. For that purpose, negligence on her part would make her obligation under the Trust Receipt "direct and primary."^[11]

Gloria further expressly agreed that her obligation as stipulated in the contract would "continue in force and be applicable to all transactions, notwithstanding any change in the individuals composing any firm, parties to or concerned x x x whether such change shall arise from accession of one or more new partners or from the death or cession of any partner or partners;" that her "liability for payment at maturity of the invoice(s) x x x shall not be extinguished or modified" by the following, namely: (a) "any priority, act of war, or restriction on the use, transportation, hypothecation, or disposal thereof imposed by any administrative, political or legislative enactments, regulations or orders whatsoever"; (b) "government appropriation of the same, or of any seizure or destruction thereof or damage thereto, whether insured against or not"; and (c) "any acts or regulation affecting this Trust Receipt or the inputs subject thereto."^[12]

In addition, Gloria's obligation included the following terms and conditions, to wit:

All obligations of the undersigned under this Trust Receipt shall bear interest at the rate of twelve per cent (12%) per annum plus two percent (2%) service charges, reckoned from the date Dealer delivers to farmer-participants the fertilizer and agchem products. Where I/We have not delivered within 60 days, interest and service charges shall become effective on the 61st day.

If there are two or more signatories, our obligations hereunder shall in all

cases be joint and several.

All expenses and charges incurred by PPI in re-possession of said fertilizer and agchem products, and in securing delivery of the same to a bodega or storage place in Manila or at some other place selected by it shall be for my/our account and shall be repaid to PPI by me/us.

Should it become necessary for PPI to avail of the services of an attorney-at-law to initiate legal steps to enforce any or all of its rights under this contract, we jointly and severally, shall pay to PPI for and as attorney's fees a sum equivalent to twenty per cent (20%) per annum of the total amount involved, principal and interest, then unpaid, but in no case less than FIVE HUNDRED PESOS (P500.00), exclusive of all costs or fees allowed by law.

In consideration of PPI complying with the foregoing we jointly and severally agree and undertake to pay on demand to PPI all sums of money which PPI may call upon us to pay arising out of or pertaining to and/or in any event connected with the default of and/or non-fulfillment in any respect of the undertaking of the aforesaid.^[13]

Gloria executed three more documents on September 14, 1978,^[14] and one document each on September 28, 1978,^[15] September 18, 1978,^[16] and September 20, 1978.^[17] On the corresponding dates, Gloria filled up customer order forms for fertilizer and agricultural chemical products.^[18] Written at the upper portion of each order form was the following:

This invoice is subject to the terms and conditions stipulated in our contract. Under no circumstance is this invoice to be used as a receipt for payment. Interest at 14% per annum plus service and handling charges at the rate of 10% per annum shall be charged on all overdue accounts, and in the event of judicial proceedings to enforce collection, customer shall pay the Company an amount equivalent to 25% of the amount due for and as attorney's fees which in no case shall be less than P200 in addition to cost of suit.

The products were released to Gloria under the supervision of Cristina G. Llanera of PPI.

The 60-day credit term lapsed without Gloria paying her obligation under the Trust Receipt/SCS. Hence, PPI wrote collection letters to her on April 24, 1979 and May 22, 1979. Receiving no response from her, Inocencio E. Ortega, PPI District Distribution Manager, sent her on June 8, 1979 a demand letter on her "long overdue account" of P191,205,25.^[19]

On February 24, 1979, PPI sent Gloria a credit note for P127,930.60 with these particulars: "To transfer to dealer's regular line inputs withdrawn VS. SCS line still undelivered to farmers after 60 days."^[20] Another credit note, also dated February

24, 1979 and with the same particulars, indicated the amount of P46,622.80.^[21]

The follow-up letter of October 11, 1979 culminated in the final demand letter of May 30, 1980 from Atty. R. M. Rivera, PPI Collection Officer,^[22] stating that the total accountability of Gloria as of April 25, 1980 was P156,755.00 "plus interest, service charges, and penalty charges," all of which she should pay by June 18, 1980. PPI warned that should she fail to do so, PPI would file the "necessary civil and criminal cases" against her "based on the Trust Receipts."

On November 17, 1981, PPI brought against Quirino and Gloria in the erstwhile Court of First Instance in Pasig, Metro Manila a complaint for the recovery of a sum of money with prayer for a writ of preliminary attachment.^[23] PPI alleged that Gloria had violated the "fiduciary undertaking in the Trust Receipt agreement covering product withdrawals under the Special Credit Scheme which were subsequently charged to defendant dealer's regular credit line; therefore, she is guilty of fraudulently misapplying or converting to her own use the items delivered to her as contained in the invoices." It charged that Gloria did not return the goods indicated in the invoices and did not remit the proceeds of sales.

PPI prayed for judgment holding the petitioners liable for the principal amount of P161,203.60 as of October 25, 1981, "inclusive of interest and service charges"; additional "daily interest of P80.60 from October 26, 1981 until fully paid"; and 20% of the total amount due as attorney's fees. As of July 9, 1985, the statement of account showed a grand total liability of P240,355.10.^[24]

In her answer, the petitioners alleged that Gloria was only a marketing outlet of PPI under its SCS Program, not a dealer primarily obligated to PPI for the products delivered to her; that she had not collected from the farmers participating in the SCS Program because of the October 27-28, 1979 typhoon *Kading* that had destroyed the participating farmers' crops; and that she had paid P50,000.00 to PPI despite the failure of the farmers to pay.^[25]

Decision of the RTC

On October 29, 1997, the trial court, then already the RTC, rendered its judgment ordering the petitioners "to pay the plaintiff the amount of P240,335.10 plus 16% interest *per annum* commencing from July 9, 1985 until fully paid and the sum of P20,000.00 as attorney's fees and cost of litigation."^[26]

The RTC found that based on the terms and conditions of the SCS Program, a creditor-debtor relationship was created between Gloria and PPI; that her liability was predicated on Section 4 of the *Trust Receipts Law* (Presidential Decree No. 115) and on the ruling in *Robles v. Court of Appeals*^[27] to the effect that the failure of the entrustee (Gloria) to turn over to the entruster (plaintiff) the proceeds of the sale of goods covered by the delivery trust receipts or to return the goods constituted estafa punishable under Article 315(1)(b) of the *Revised Penal Code*; and that the petitioners could not use as a defense the occurrence of typhoon *Kading* because there was no privity of contract between the participating farmers and PPI.

Ruling of the CA

The petitioners appealed to the CA^[28] upon the following assignment of errors, to wit:

THE LOWER COURT ERRED IN HOLDING THAT DEFENDANT GLORIA DELA CRUZ WAS AN ACCREDITED DEALER UNDER THE SPECIAL CREDIT SCHEME AND PURCHASED ON CREDIT FERTILIZERS AND CHEMICALS FROM PLAINTIFF.

THE TRIAL COURT ERRED IN HOLDING THAT DEFENDANTS ARE PRIMARILY LIABLE FOR THE FERTILIZERS AND CHEMICALS COVERED BY THE ORDER FORMS, DELIVERY RECEIPTS AND TRUST RECEIPTS.

THE TRIAL COURT ERRED IN HOLDING THAT THE SPECIAL CREDIT SCHEME/LINE GRANTED TO DEFENDANT GLORIA DELA CRUZ WAS CONVERTED TO A REGULAR LINE.

THE TRIAL COURT ERRED IN FINDING FOR THE PLAINTIFF AND NOT FOR THE DEFENDANTS-APPELLANTS.

On April 11, 2003, the CA affirmed the judgment of the RTC,^[29] viz:

WHEREFORE, premises considered, the instant appeal is hereby DENIED, and the impugned Decision dated 29 October 1997 of Regional Trial Court of Makati City, Branch 66 is hereby **AFFIRMED** in toto. Costs against Defendants-appellants.

SO ORDERED.

The CA held the petitioners liable to PPI "for the value of the fertilizers and agricultural chemical products covered by the trust receipts" because a creditor-debtor relationship existed between the parties when, pursuant to the credit line of P200,000.00 and the SCS Program, the petitioners "withdrew several fertilizers and agricultural chemical products on credit;" that the petitioners then came under obligation to pay the equivalent value of the withdrawn goods, "or to return the undelivered and/or unused products within the specified period." It elucidated thus:

The trust receipts covering the said fertilizers and agricultural chemical products under the special credit scheme, and signed by defendant-appellant Gloria de la Cruz specifically provides for their direct and primary liability over the same, to wit:

"x x x. In the event, I/We cannot deliver/serve to the farmer-participants all the inputs as enumerated above within 60 days, then I/We agree that the undelivered inputs will be charged to my/our regular credit line, in which case, the