

FIRST DIVISION

[G.R. No. 171238, February 02, 2011]

F.A.T. KEE COMPUTER SYSTEMS, INC., PETITIONER, VS. ONLINE NETWORKS INTERNATIONAL, INC., RESPONDENT.

D E C I S I O N

LEONARDO-DE CASTRO, J.:

For consideration of the Court is a Petition for Review on *Certiorari*^[1] under Rule 45 of the Rules of Court, which seeks to challenge the Decision^[2] dated September 26, 2005 of the Court of Appeals in CA-G.R. CV No. 71910. The appellate court reversed and set aside the Decision^[3] dated November 7, 2000 of the Regional Trial Court (RTC) of Makati City, Branch 148, in Civil Case No. 99-167, which dismissed the complaint filed by herein respondent Online Networks International, Inc. (ONLINE).

Petitioner F.A.T. Kee Computer Systems, Inc. (FAT KEE) is a domestic corporation engaged in the business of selling computer equipment and conducting maintenance services for the units it sold.

ONLINE is also a domestic corporation principally engaged in the business of selling computer units, parts and software.

On January 25, 1999, ONLINE filed a Complaint^[4] for Sum of Money against FAT KEE docketed as Civil Case No. 99-167. ONLINE alleged that sometime in November 1997, it sold computer printers to FAT KEE for which the latter agreed to pay the purchase price of US\$136,149.43. The agreement was evidenced by Invoice Nos. 4680, 4838, 5090 and 5096^[5] issued by ONLINE to FAT KEE. The invoice receipts contained a stipulation that "interest at 28% *per annum* is to be charged on all accounts overdue" and "an additional sum equal to 25% of the amount will be charged by vendor for attorney's fees plus cost of collection in case of suit."^[6] It was further asserted in the Complaint that thereafter, FAT KEE, through its President Frederick Huang, Jr., offered to pay its US dollar obligations in Philippine pesos using the exchange rate of P40:US\$1. ONLINE claimed to have duly accepted the offer. The amount payable was then computed at P5,445,977.20. FAT KEE then made several payments amounting to P2,502,033.06 between the periods of March and May 1998.^[7] As of May 12, 1998, the balance of FAT KEE purportedly amounted to P2,943,944.14. As the obligations of FAT KEE matured in December 1997, ONLINE applied the 28% interest on the unpaid amount. However, in view of the good business relationship of the parties, ONLINE allegedly applied the interest on the balance for a period of three months only. Thus, the total amount due, plus interest, was P3,012,636.17.^[8] FAT KEE subsequently made additional payments in the amount of P2,256,541.12. A balance of P756,095.05, thus, remained according to ONLINE's computations. Despite repeated demands, FAT KEE failed to pay its

obligations to ONLINE without any valid reason. ONLINE was allegedly constrained to send a final demand letter for the payment of the aforementioned balance. As FAT KEE still ignored the demand, ONLINE instituted the instant case, praying that FAT KEE be ordered to pay the principal amount of P756,095.05, plus 28% interest *per annum* computed from July 28, 1998 until full payment. ONLINE likewise sought the payment of 25% of the total amount due as attorney's fees, as well as litigation expenses and costs of suit.

FAT KEE duly answered^[9] the complaint alleging, *inter alia*, that it did not reach an agreement with ONLINE for the payment of its obligations in US dollars. FAT KEE claimed that the invoice receipts of the computer printers, which quoted the purchase price in US dollars, were unilaterally prepared by ONLINE. While FAT KEE admitted that it offered to pay its obligations in Philippine pesos, it averred that the amount owing to ONLINE was only P5,067,925.34, as reflected in the Statement of Account (SOA) sent by ONLINE dated December 9, 1997.^[10] FAT KEE stated that payments in Philippine pesos were tendered to ONLINE, in accordance with the SOA, and the latter accepted the same. FAT KEE denied that it agreed to the conversion rate of P40:US\$1 and claimed that it had already fully paid its total obligations to ONLINE. FAT KEE, thus, prayed for the dismissal of the complaint and, by way of counterclaim, sought the payment of P250,000.00 as attorney's fees.

The trial of the case ensued thereafter.

ONLINE first called Peter Jeoffrey Goco to the witness stand. Goco testified that he was the Legal Officer of ONLINE, whose duty was to monitor the outstanding or unpaid accounts of ONLINE's clients, as well as to send demand letters and recommend the filing of cases should the clients fail to pay.^[11] FAT KEE was one of the clients of ONLINE, which had an outstanding balance of a little over P756,000.00.^[12] Goco stated that the invoice receipts sent to FAT KEE were denominated in US dollars as the business of ONLINE was to sell imported computer products, in wholesale and retail. In view of the currency fluctuations during those times, ONLINE deemed that the better business policy was to bill their clients in US dollars.^[13] FAT KEE allegedly had an outstanding balance of roughly around US\$136,000.00.^[14] When ONLINE demanded payment, FAT KEE negotiated that it be allowed to pay in Philippine pesos. Goco attested that the parties subsequently agreed to a conversion rate of P40:US\$1. FAT KEE was able to remit partial payments to ONLINE, but as of May 1998, the amount of P756,095.05 remained unpaid.^[15] As FAT KEE failed to settle its obligations, ONLINE included the payment of interests on the latter's claim.^[16] FAT KEE then sent a letter to ONLINE, insisting that there was no agreement as to the exchange rate to be used in converting the unpaid obligations of FAT KEE and that the latter could not pay because of the extraordinary currency fluctuations.^[17] The lawyers of ONLINE eventually sent a demand letter^[18] to FAT KEE for the payment of the outstanding balance, but this too went unheeded. ONLINE, thus, filed the instant case.^[19]

The next witness to be presented by ONLINE was James Payoyo, an Account Manager for the said company. Payoyo testified, among others, that sometime in November 1997, FAT KEE submitted their Purchase Order^[20] for Hewlett Packard computers and printers, which was quoted in US dollars.^[21] Prior to this, FAT KEE

likewise sent ONLINE a Purchase Order^[22] dated October 23, 1997 and the same was denominated in US dollars.^[23] Payoyo related that, on January 15, 1998, the officials of ONLINE met with Frederick Huang, Jr., the President of FAT KEE, and the latter's lawyer. The parties discussed the payment scheme for the outstanding balance of FAT KEE. ONLINE proposed that the total unpaid amount of more than US\$136,000.00 shall be divided in two, such that 50% of the amount was to be paid in US dollars and the other half was to be settled in Philippine pesos. The exchange rate to be applied to the Philippine peso component was P41:US\$1.^[24] FAT KEE then offered to renegotiate the exchange rate, offering to pay P35:US\$1, but ONLINE rejected the same. According to Payoyo, the parties subsequently agreed to a P40:US\$1 conversion rate.^[25]

Lastly, ONLINE called on Sonia Magpili to likewise testify to the fact that FAT KEE renegotiated with ONLINE for the conversion rate of P40:US\$1. Magpili stated that she was then the Executive Vice President of ONLINE^[26] and was among the company officials who met with FAT KEE President Huang on January 15, 1998.^[27] Discussed in the meeting was the proposal to split the payment to be made by FAT KEE.^[28] Frederick Huang, Jr. subsequently called the office of ONLINE to request for the lowering of the exchange rate to P40:US\$1, to which ONLINE agreed.^[29] FAT KEE made partial payments from March 1998, but later tried to negotiate again for a lower exchange rate. Magpili testified that ONLINE no longer agreed to this proposal as the account of FAT KEE had already fallen due as of December 1997.^[30] On cross-examination, however, Magpili admitted that FAT KEE did not execute any written confirmation to signify its agreement to the proposal to split its outstanding balance and the conversion rate of P40:US\$1.^[31]

FAT KEE, afterwards, presented its testimonial evidence, calling forth Frederick Huang, Jr. to the witness stand. Pertinently, Huang testified that the exchange rate they used in order to compute their total unpaid obligation to ONLINE was P34:US\$1. Huang explained that this figure was arrived at by taking into account the SOA dated December 9, 1997. Therein, the unpaid dollar amounts in the assailed Invoice Nos. 4680 and 4838^[32] were denominated in Philippine pesos as P2,343,414.33 and P1,502,033.06, respectively. A simple computation^[33] then revealed that the rate of exchange rate thereon was P34:US\$1.^[34] FAT KEE also applied the said rate on Invoice Nos. 5090 and 5096,^[35] such that the dollar amounts stated thereon were respectively converted to P384,107.52 and P466,480.00.

Huang also stated that FAT KEE quoted in US dollars the Purchase Order dated November 26, 1997, since the same was upon the instructions of Payoyo. During that time, the fluctuations of the Philippine peso were rapid and the Accounting Department of ONLINE informed Huang that the computer equipment ordered by FAT KEE would not be delivered unless FAT KEE issued a Purchase Order in US dollars. Huang also said that there was no agreement between FAT KEE and ONLINE for the payment in US dollars, nor did the parties agree to a specific exchange rate.^[36] On January 15, 1998, the parties met, but they failed to reach any agreement regarding the exchange rate and the payment in US dollars. The next day, ONLINE, through Payoyo, wrote a letter to FAT KEE, confirming their supposed agreement on an exchange rate of P41:US\$1.^[37] On February 23, 1998,

Payoyo again wrote to Huang, informing him that the new exchange rate to be applied was P40:US\$1. On March 2, 1998, Huang communicated to Payoyo, stating that the Board of Directors of FAT KEE agreed to settle the outstanding balance of the company at the rate of P37:US\$1.^[38] Huang then testified that FAT KEE continued to pay its obligation in Philippine pesos until its obligation was fully paid.^[39] Later, FAT KEE received demand letters from ONLINE, directing the former to pay the amount of P756,095.05.^[40]

Mayumi Huang also testified for FAT KEE. Being the Operations Manager^[41] of FAT KEE, she admitted that she was the one who issued the Purchase Order dated November 26, 1997 to ONLINE for \$13,720.00.^[42]

As rebuttal evidence, ONLINE offered the testimony of Melissa Tan to prove that the SOA dated December 9, 1997 that was purportedly issued by ONLINE was in fact unauthorized and FAT KEE was duly informed of the same. Tan stated that she was the Credit and Collection Supervisor for ONLINE.^[43] Sometime in December 1997, Magpili showed her a copy of the SOA dated December 9, 1997, asking Tan if she approved the said document. Tan declared that she did not issue the SOA, nor was she even aware of its issuance.^[44] Tan explained that the absence of her signature on the SOA meant that the same was not authorized by ONLINE. The standard procedure was for Tan to review and approve such documents first before the same were issued.^[45] Tan noted that the SOA was prepared by Edwin Morales, an Accountant of ONLINE. When confronted about the SOA, Morales reasoned that he merely wanted to give FAT KEE an initial computation of the latter's outstanding balance, but he mistakenly included the billings that were denominated in US dollars.^[46] At the meeting between ONLINE and FAT KEE on January 15, 1998, the latter was informed that the SOA was not official and the parties negotiated the applicable conversion rate.^[47] Upon cross-examination, Tan revealed that ONLINE did not rectify or correct the entries contained in the SOA. No disciplinary action was likewise taken against Morales for the unauthorized issuance of the said document.^[48]

Finally, FAT KEE presented the testimony of Frederick Huang, Jr. as surrebuttal evidence. Huang again maintained that the parties failed to reach an agreement as regards the payment of FAT KEE's obligations to ONLINE, as well as the proposal to apply the exchange rate of P37:US\$1.^[49]

In a Decision dated November 7, 2000, the RTC dismissed the complaint of ONLINE, ratiocinating thus:

After assessing the evidence presented by both parties, the court is of the belief that [ONLINE] failed to establish its claim against [FAT KEE]. While indeed [FAT KEE] purchased computer printers from [ONLINE], [the latter] has not established the fact that at the time when the obligation became due and demandable, there was an agreement as to the conversion rate between [ONLINE] and [FAT KEE] as to the rate of exchange from US dollars into Philippine Peso in the payment of purchase price of printers. When there is no agreement between [ONLINE] and [FAT KEE] as to the rate of exchange from US dollars to Philippine peso,

while it is correct to say that it is the prevailing rate of exchange at the time when the obligation became due and demandable, the prevailing rate should be used that prevailing rate, is the rate pegged by [ONLINE], which was contained in the Statement of Account dated 9 December 1997.

x x x Edwin Morales in the Statement of Account he sent to [FAT KEE] dated 9 December 1997 computed the obligation of [FAT KEE] in Philippine currency and after computing the total obligation, by simple mathematical computation, it appears indeed that the exchange rate used by [ONLINE] is PHP34.00 for every US\$1.00. [ONLINE], therefore, is estopped from claiming that the rate of exchange rate should be at the rate of either PHP41.50 or PHP40.00 per US\$1.00, as the rate which [ONLINE] itself used is PHP34.00 for every US\$1.00 by [ONLINE's] own computation. [FAT KEE] even paid an excess of PHP62,539.24.

Considering that [FAT KEE] have fully paid the amount and there being really no dispute as to the exchange rate by [ONLINE's] own admission in its Statement of Account dated 9 December 1997, it is but proper to consider that [FAT KEE] has fully paid its obligation with [ONLINE] as evidenced by various receipts presented during the trial.

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With all these, considering that [ONLINE] failed to prove through preponderance of evidence its claim against [FAT KEE] and therefore [ONLINE's] complaint must be dismissed.

However, [FAT KEE] in its counterclaim claimed among others that [FAT KEE] is entitled to attorney's fees in the amount of P250,000.00. It having been satisfactorily proven by [FAT KEE] that [it] is entitled to attorney's fees, the court, in its discretion, awards to [FAT KEE] the amount of PHP100,000.00 for and as attorney's fees, which [ONLINE] must pay to [FAT KEE] considering that the claim of [ONLINE] is incorrect and its complaint baseless.

WHEREFORE, premises considered, [judgment] is hereby rendered in favor of [FAT KEE] and as against [ONLINE]. As a consequence, [ONLINE's] Complaint is dismissed, and [ONLINE] is therefore adjudged to pay [FAT KEE] the amount of P100,000.00 for and as attorney's fees.

Costs against [ONLINE].^[50]

On February 20, 2001, ONLINE filed a Motion for Reconsideration^[51] of the above decision. ONLINE argued that estoppel may not be invoked against it as FAT KEE did not act or rely on the representations in the SOA dated December 9, 1997. ONLINE maintained that FAT KEE was informed that the SOA was erroneous and unauthorized and the parties subsequently met and negotiated on the exchange rate to be applied. Likewise, ONLINE challenged the award of attorney's fees in favor of FAT KEE.