

## FIRST DIVISION

[ G.R. No. 175021, June 15, 2011 ]

**REPUBLIC OF THE PHILIPPINES, REPRESENTED BY THE CHIEF  
OF THE PHILIPPINE NATIONAL POLICE, PETITIONER, VS. THI  
THU THUY T. DE GUZMAN, RESPONDENT.**

### D E C I S I O N

**LEONARDO-DE CASTRO, J.:**

This is a Petition for Review on *Certiorari* <sup>[1]</sup> filed by Republic of the Philippines, as represented by the Chief of the Philippine National Police (PNP), of the September 27, 2006 Decision <sup>[2]</sup> of the Court of Appeals in CA-G.R. CV No. 80623, which affirmed with modification the September 8, 2003 Decision <sup>[3]</sup> of the Regional Trial Court (RTC), Branch 222, of Quezon City in Civil Case No. Q99-37717.

Respondent is the proprietress of Montaguz General Merchandise (MGM), <sup>[4]</sup> a contractor accredited by the PNP for the supply of office and construction materials and equipment, and for the delivery of various services such as printing and rental, repair of various equipment, and renovation of buildings, facilities, vehicles, tires, and spare parts. <sup>[5]</sup>

On December 8, 1995, the PNP Engineering Services (PNPES), released a Requisition and Issue Voucher <sup>[6]</sup> for the acquisition of various building materials amounting to Two Million Two Hundred Eighty-Eight Thousand Five Hundred Sixty-Two Pesos and Sixty Centavos (P2,288,562.60) for the construction of a four-storey condominium building with roof deck at Camp Crame, Quezon City. <sup>[7]</sup>

Respondent averred that on December 11, 1995, MGM and petitioner, represented by the PNP, through its chief, executed a Contract of Agreement <sup>[8]</sup> (the Contract) wherein MGM, for the price of P2,288,562.60, undertook to procure and deliver to the PNP the construction materials itemized in the purchase order <sup>[9]</sup> attached to the Contract. Respondent claimed that after the PNP Chief approved the Contract and purchase order, <sup>[10]</sup> MGM, on March 1, 1996, proceeded with the delivery of the construction materials, as evidenced by Delivery Receipt Nos. 151-153, <sup>[11]</sup> Sales Invoice Nos. 038 and 041, <sup>[12]</sup> and the "Report of Public Property Purchase" <sup>[13]</sup> issued by the PNP's Receiving and Accounting Officers to their Internal Auditor Chief. Respondent asseverated that following the PNP's inspection of the delivered materials on March 4, 1996, <sup>[14]</sup> the PNP issued two Disbursement Vouchers; one in the amount of P2,226,147.26 in favor of MGM, <sup>[15]</sup> and the other, <sup>[16]</sup> in the amount of P62,415.34, representing the three percent (3%) withholding tax, in favor of the Bureau of Internal Revenue (BIR). <sup>[17]</sup>

On November 5, 1997, the respondent, through counsel, sent a letter dated October 20, 1997 [18] to the PNP, demanding the payment of P2,288,562.60 for the construction materials MGM procured for the PNP under their December 1995 Contract.

On November 17, 1997, the PNP, through its Officer-in-Charge, replied [19] to respondent's counsel, informing her of the payment made to MGM *via* Land Bank of the Philippines (LBP) Check No. 0000530631, [20] as evidenced by Receipt No. 001, [21] issued by the respondent to the PNP on April 23, 1996. [22]

On November 26, 1997, respondent, through counsel, responded by reiterating her demand [23] and denying having ever received the LBP check, personally or through an authorized person. She also claimed that Receipt No. 001, a copy of which was attached to the PNP's November 17, 1997 letter, could not support the PNP's claim of payment as the aforesaid receipt belonged to Montaguz Builders, her other company, which was also doing business with the PNP, and not to MGM, with which the contract was made.

On May 5, 1999, respondent filed a Complaint for Sum of Money against the petitioner, represented by the Chief of the PNP, before the RTC, Branch 222 of Quezon City. [24] This was docketed as Civil Case No. Q99-37717.

The petitioner filed a Motion to Dismiss [25] on July 5, 1999, on the ground that the claim or demand set forth in respondent's complaint had already been paid or extinguished, [26] as evidenced by LBP Check No. 0000530631 dated April 18, 1996, issued by the PNP to MGM, and Receipt No. 001, which the respondent correspondingly issued to the PNP. The petitioner also argued that aside from the fact that the respondent, in her October 20, 1997 letter, demanded the incorrect amount since it included the withholding tax paid to the BIR, her delay in making such demand "[did] not speak well of the worthiness of the cause she espouse[d]." [27]

Respondent opposed petitioner's motion to dismiss in her July 12, 1999 Opposition [28] and September 10, 1999 Supplemental Opposition to Motion to Dismiss. [29] Respondent posited that Receipt No. 001, which the petitioner claimed was issued by MGM upon respondent's receipt of the LBP check, was, first, under the business name "Montaguz Builders," an entity separate from MGM. Next, petitioner's allegation that she received the LBP check on April 19, 1996 was belied by the fact that Receipt No. 001, which was supposedly issued for the check, was dated four days later, or April 23, 1996. Moreover, respondent averred, the PNP's own Checking Account Section Logbook or the Warrant Register, showed that it was one Edgardo Cruz (Cruz) who signed for the check due to MGM, [30] contrary to her usual practice of personally receiving and signing for checks payable to her companies.

After conducting hearings on the Motion to Dismiss, the RTC issued an Order [31] on May 4, 2001, denying the petitioner's motion for lack of merit. The petitioner thereafter filed its Answer, [32] wherein it restated the same allegations in its Motion to Dismiss.

Trial on the merits followed the pre-trial conference, which was terminated on June 25, 2002 when the parties failed to arrive at an amicable settlement. [33]

On September 3, 2002, shortly after respondent was sworn in as a witness, and after her counsel formally offered her testimony in evidence, Atty. Norman Bueno, petitioner's counsel at that time, made the following stipulations in open court:

Atty. Bueno (To Court)

Your Honor, in order to expedite the trial, we will admit that this witness was contracted to deliver the construction supplies or materials. **We will admit that she complied, that she actually delivered the materials.** We will admit that Land Bank Corporation check was issued although we will not admit that the check was not released to her, as [a] matter of fact, we have the copy of the check. We will admit that Warrant Register indicated that the check was released although we will not admit that the check was not received by the [respondent].

Court (To Atty. Albano)

So, the issues here are whether or not the [respondent] received the check for the payment of the construction materials or supplies and who received the same. That is all.

Atty. Albano (To Court)

Yes, your Honor.

Court (To Atty. Albano)

I think we have an abbreviated testimony here. Proceed. [34]  
(Emphasis ours.)

The stipulations made by the petitioner through Atty. Bueno were in consonance with the admissions it had previously made, also through Atty. Bueno, in its Answer, [35] and pre-trial brief [36]:

Answer:

## IX

It **ADMITS** the allegation in paragraph 9 of the Complaint **that [respondent] delivered to the PNP Engineering Service the construction materials.** It also ADMITS the existence of Receipt Nos. 151, 152 and 153 alleged in the same paragraph, copies of which are attached to the Complaint as Annexes "G," "G-1" and "G-2." [37]

(Emphasis ours.)

Pre-trial Brief:

### III

#### **ADMISSIONS**

##### **3.1. Facts and/or documents admitted**

For brevity, [petitioner] admit[s] only the allegations in [respondent's] Complaint and the annexes thereto **that were admitted in the Answer.** [38] (Emphases ours.)

With the issue then confined to whether respondent was paid or not, the RTC proceeded with the trial.

Respondent, in her testimony, narrated that on April 18, 1996, she went to the PNP Finance Center to claim a check due to one of her companies, Montaguz Builders. As the PNP required the issuance of an official receipt upon claiming its checks, respondent, in preparation for the PNP check she expected, already signed Montaguz Builders Official Receipt No. 001, albeit the details were still blank. However, upon arriving at the PNP Finance Center, respondent was told that the check was still with the LBP, which could not yet release it. Respondent then left for the Engineering Services Office to see Captain Rama, along with Receipt No. 001, which she had not yet issued. [39] Respondent claimed that after some time, she left her belongings, including her receipt booklet, at a bench in Captain Rama's office when she went around the Engineering Office to talk to some other people. [40] She reasoned that since she was already familiar and comfortable with the people in the PNPES Office, she felt no need to ask anyone to look after her belongings, as it was her "normal practice" [41] to leave her belongings in one of the offices there. The next day, respondent alleged that when she returned for the check due to Montaguz Builders that she was not able to claim the day before, she discovered for the first time that Receipt No. 001, which was meant for that check, was missing. Since she would not be able to claim her check without issuing a receipt, she just informed the releaser of the missing receipt and issued Receipt No. 002 in its place. [42] After a few months, respondent inquired with the PNP Finance Center about the payment due to MGM under the Contract of December 1995 and was surprised to find out that the check payable to MGM had already been released. Upon making some inquiries, respondent learned that the check, payable to MGM, in the amount of P2,226,147.26, was received by Cruz, who signed the PNP's Warrant Register. Respondent admitted to knowing Cruz, as he was connected with Highland Enterprises, a fellow PNP-accredited contractor. However, she denied ever having authorized Cruz or Highland Enterprises to receive or claim any of the checks due to MGM or Montaguz Builders. [43] When asked why she had not filed a case against Cruz or Herminio Reyes, the owner of Highland Enterprises, considering the admitted fact that Cruz claimed the check due to her, respondent declared that there was no reason for her to confront them as it was the PNP's fault that the check was released to the wrong person. Thus, it was the PNP's problem to find out where the money had gone, while her course of action was to go after the PNP, as the

party involved in the Contract. [44]

On April 29, 2003, petitioner presented Ms. Jesusa Magtira, who was then the "check releaser" [45] of the PNP, to prove that the respondent received the LBP check due to MGM, and that respondent herself gave the check to Cruz. [46] Ms. Magtira testified that on April 23, 1996, she released the LBP check payable to the order of MGM, in the amount of P2,226,147.26, to the respondent herein, whom she identified in open court. She claimed that when she released the check to respondent, she also handed her a voucher, and a logbook also known as the Warrant Register, for signing. [47] When asked why Cruz was allowed to sign for the check, Ms. Magtira explained that this was allowed since the respondent already gave her the official receipt for the check, and it was respondent herself who gave the logbook to Cruz for signing. [48]

The petitioner next presented Edgardo Cruz for the purpose of proving that the payment respondent was claiming rightfully belonged to Highland Enterprises. Cruz testified that Highland Enterprises had been an accredited contractor of the PNP since 1975. In 1995, Cruz claimed that the PNPES was tasked to construct "by administration" a condominium building. This meant that the PNPES had to do all the work, from the canvassing of the materials to the construction of the building. The PNPES allegedly lacked the funds to do this and so asked for Highland Enterprises's help. [49] In a meeting with its accredited contractors, the PNPES asked if the other contractors would agree to the use of their business name [50] for a two percent (2%) commission of the purchase order price to avoid the impression that Highland Enterprises was monopolizing the supply of labor and materials to the PNP. [51] Cruz alleged that on April 23, 1996, he and the respondent went to the PNP Finance Center to claim the LBP check due to MGM. Cruz said that the respondent handed him the already signed Receipt No. 001, which he filled up. He claimed that the respondent knew that the LBP check was really meant for Highland Enterprises as she had already been paid her 2% commission for the use of her business name in the concerned transaction. [52]

On September 8, 2003, the RTC rendered its Decision, the dispositive of which reads:

WHEREFORE, premises considered, judgment is hereby rendered in favor of [respondent] and against [petitioner] ordering the latter to pay [respondent] the following sums:

- (1) P2,226,147.26 representing the principal sum plus interest at 14% per annum from April 18, 1996 until the same shall have been fully paid;
- (2) 20% of the sum to be collected as attorney's fees; and,
- (3) Costs of suit. [53]

The RTC declared that while Cruz's testimony seemed to offer a plausible