

SECOND DIVISION

[G.R. No. 193577, September 07, 2011]

ANTONIO FRANCISCO, SUBSTITUTED BY HIS HEIRS: NELIA E.S. FRANCISCO, EMILIA F. BERTIZ, REBECCA E.S. FRANCISCO, ANTONIO E.S. FRANCISCO, JR., SOCORRO F. FONTANILLA, AND JOVITO E.S. FRANCISCO, PETITIONERS, VS. CHEMICAL BULK CARRIERS, INCORPORATED, RESPONDENT.

D E C I S I O N

CARPIO, J.:

The Case

This is a petition for review^[1] of the 31 May 2010 Decision^[2] and 31 August 2010 Resolution^[3] of the Court of Appeals in CA G.R. CV No. 63591. In its 31 May 2010 Decision, the Court of Appeals set aside the 21 August 1998 Decision^[4] of the Regional Trial of Pasig City, Branch 71 (trial court), and ordered petitioner Antonio Francisco (Francisco) to pay respondent Chemical Bulk Carriers, Incorporated (CBCI) P1,119,905 as actual damages. In its 31 August 2010 Resolution, the Court of Appeals denied Francisco's motion for reconsideration.

The Facts

Since 1965, Francisco was the owner and manager of a Caltex station in Teresa, Rizal. Sometime in March 1993, four persons, including Gregorio Bacsa (Bacsa), came to Francisco's Caltex station and introduced themselves as employees of CBCI. Bacsa offered to sell to Francisco a certain quantity of CBCI's diesel fuel.

After checking Bacsa's identification card, Francisco agreed to purchase CBCI's diesel fuel. Francisco imposed the following conditions for the purchase: (1) that Petron Corporation (Petron) should deliver the diesel fuel to Francisco at his business address which should be properly indicated in Petron's invoice; (2) that the delivery tank is sealed; and (3) that Bacsa should issue a separate receipt to Francisco.

The deliveries started on 5 April 1993 and lasted for ten months, or up to 25 January 1994.^[5] There were 17 deliveries to Francisco and all his conditions were complied with.

In February 1996, CBCI sent a demand letter to Francisco regarding the diesel fuel delivered to him but which had been paid for by CBCI.^[6] CBCI demanded that Francisco pay CBCI P1,053,527 for the diesel fuel or CBCI would file a complaint against him in court. Francisco rejected CBCI's demand.

On 16 April 1996, CBCI filed a complaint for sum of money and damages against Francisco and other unnamed defendants.^[7] According to CBCI, Petron, on various dates, sold diesel fuel to CBCI but these were delivered to and received by Francisco. Francisco then sold the diesel fuel to third persons from whom he received payment. CBCI alleged that Francisco acquired possession of the diesel fuel without authority from CBCI and deprived CBCI of the use of the diesel fuel it had paid for. CBCI demanded payment from Francisco but he refused to pay. CBCI argued that Francisco should have known that since only Petron, Shell and Caltex are authorized to sell and distribute petroleum products in the Philippines, the diesel fuel came from illegitimate, if not illegal or criminal, acts. CBCI asserted that Francisco violated Articles 19,^[8] 20,^[9] 21,^[10] and 22^[11] of the Civil Code and that he should be held liable. In the alternative, CBCI claimed that Francisco, in receiving CBCI's diesel fuel, entered into an innominate contract of *do ut des* (I give and you give) with CBCI for which Francisco is obligated to pay CBCI P1,119,905, the value of the diesel fuel. CBCI also prayed for exemplary damages, attorney's fees and other expenses of litigation.

On 20 May 1996, Francisco filed a Motion to Dismiss on the ground of forum shopping.^[12] CBCI filed its Opposition.^[13] In an Order dated 15 November 1996, the trial court denied Francisco's motion.^[14]

Thereafter, Francisco filed his Answer.^[15] Francisco explained that he operates the Caltex station with the help of his family because, in February 1978, he completely lost his eyesight due to sickness. Francisco claimed that he asked Jovito, his son, to look into and verify the identity of Bacsa, who introduced himself as a radio operator and confidential secretary of a certain Mr. Inawat (Inawat), CBCI's manager for operations. Francisco said he was satisfied with the proof presented by Bacsa. When asked to explain why CBCI was selling its fuel, Bacsa allegedly replied that CBCI was in immediate need of cash for the salary of its daily paid workers and for petty cash. Francisco maintained that Bacsa assured him that the diesel fuel was not stolen property and that CBCI enjoyed a big credit line with Petron. Francisco agreed to purchase the diesel fuel offered by Bacsa on the following conditions:

- 1) Defendant [Francisco] will not accept any delivery if it is not company (Petron) delivered, with his name and address as shipping point properly printed and indicated in the invoice of Petron, and that the product on the delivery tank is sealed; [and]
- 2) Although the original invoice is sufficient evidence of delivery and payment, under ordinary course of business, defendant still required Mr. Bacsa to issue a separate receipt duly signed by him acknowledging receipt of the amount stated in the invoice, for and in behalf of CBCI.^[16]

During the first delivery on 5 April 1993, Francisco asked one of his sons to verify whether the delivery truck's tank was properly sealed and whether Petron issued the invoice. Francisco said all his conditions were complied with. There were 17 deliveries made from 5 April 1993 to 25 January 1994 and each delivery was for 10,000 liters of diesel fuel at P65,865.^[17] Francisco maintained that he acquired the diesel fuel in good faith and for value. Francisco also filed a counterclaim for

exemplary damages, moral damages and attorney's fees.

In its 21 August 1998 Decision, the trial court ruled in Francisco's favor and dismissed CBCI's complaint. The dispositive portion of the trial court's 21 August 1998 Decision reads:

WHEREFORE, Judgment is hereby rendered:

1. Dismissing the complaint dated March 13, 1996 with costs.
2. Ordering plaintiff (CBCI), on the counterclaim, to pay defendant the amount of P100,000.00 as moral damages and P50,000.00 as and by way of attorney's fees.

SO ORDERED.^[18]

CBCI appealed to the Court of Appeals.^[19] CBCI argued that Francisco acquired the diesel fuel from Petron without legal ground because Bacsa was not authorized to deliver and sell CBCI's diesel fuel. CBCI added that Francisco acted in bad faith because he should have inquired further whether Bacsa's sale of CBCI's diesel fuel was legitimate.

In its 31 May 2010 Decision, the Court of Appeals set aside the trial court's 21 August 1998 Decision and ruled in CBCI's favor. The dispositive portion of the Court of Appeals' 31 May 2010 Decision reads:

IN VIEW OF THE FOREGOING, the assailed decision is hereby REVERSED and SET ASIDE. Antonio Francisco is ordered to pay Chemical Bulk Carriers, Incorporated the amount of P1,119,905.00 as actual damages.

SO ORDERED.^[20]

On 15 January 2001, Francisco died.^[21] Francisco's heirs, namely: Nelia E.S. Francisco, Emilia F. Bertiz, Rebecca E.S. Francisco, Antonio E.S. Francisco, Jr., Socorro F. Fontanilla, and Jovito E.S. Francisco (heirs of Francisco) filed a motion for substitution.^[22] The heirs of Francisco also filed a motion for reconsideration.^[23] In its 31 August 2010 Resolution, the Court of Appeals granted the motion for substitution but denied the motion for reconsideration.

Hence, this petition.

The Ruling of the Trial Court

The trial court ruled that Francisco was not liable for damages in favor of CBCI because the 17 deliveries were covered by original and genuine invoices. The trial court declared that Bacsa, as confidential secretary of Inawat, was CBCI's authorized representative who received Francisco's full payment for the diesel fuel. The trial court stated that if Bacsa was not authorized, CBCI should have sued Bacsa

and not Francisco. The trial court also considered Francisco a buyer in good faith who paid in full for the merchandise without notice that some other person had a right to or interest in such diesel fuel. The trial court pointed out that good faith affords protection to a purchaser for value. Finally, since CBCI was bound by the acts of Bacsa, the trial court ruled that CBCI is liable to pay damages to Francisco.

The Ruling of the Court of Appeals

The Court of Appeals set aside the trial court's 21 August 1998 Decision and ruled that Bacsa's act of selling the diesel fuel to Francisco was his personal act and, even if Bacsa connived with Inawat, the sale does not bind CBCI.

The Court of Appeals declared that since Francisco had been in the business of selling petroleum products for a considerable number of years, his blindness was not a hindrance for him to transact business with other people. With his condition and experience, Francisco should have verified whether CBCI was indeed selling diesel fuel and if it had given Bacsa authority to do so. Moreover, the Court of Appeals stated that Francisco cannot feign good faith since he had doubts as to the authority of Bacsa yet he did not seek confirmation from CBCI and contented himself with an improvised receipt. Francisco's failure to verify Bacsa's authority showed that he had an ulterior motive. The receipts issued by Bacsa also showed his lack of authority because it was on a plain sheet of bond paper with no letterhead or any indication that it came from CBCI. The Court of Appeals ruled that Francisco cannot invoke estoppel because he was at fault for choosing to ignore the tell-tale signs of petroleum diversion and for not exercising prudence.

The Court of Appeals also ruled that CBCI was unlawfully deprived of the diesel fuel which, as indicated in the invoices, CBCI had already paid for. Therefore, CBCI had the right to recover the diesel fuel or its value from Francisco. Since the diesel fuel can no longer be returned, the Court of Appeals ordered Francisco to give back the actual amount paid by CBCI for the diesel fuel.

The Issues

The heirs of Francisco raise the following issues:

- I. WHETHER THE COURT OF APPEALS ERRED IN NOT FINDING THAT DEFENDANT ANTONIO FRANCISCO EXERCISED THE REQUIRED DILIGENCE OF A BLIND PERSON IN THE CONDUCT OF HIS BUSINESS; and
- II. WHETHER ON THE BASIS OF THE FACTUAL FINDINGS OF THE COURT OF APPEALS AND THE TRIAL COURT AND ADMITTED FACTS, IT CAN BE CONCLUDED THAT THE PLAINTIFF APPROVED EXPRESSLY OR TACITLY THE TRANSACTIONS.^[24]

The Ruling of the Court

The petition has no merit.