

SECOND DIVISION

[G.R. NO. 155653, September 30, 2005]

UNION REFINERY CORPORATION, PETITIONER, VS. REYNALDO C. TOLENTINO, SR., LUCIA BUSOG TOLENTINO, ROLAND B. TOLENTINO, REX B. TOLENTINO, REYNALDO B. TOLENTINO, JR., AND MARYLOU B. TOLENTINO, RESPONDENTS.

DECISION

PUNO, J.:

Before us is a petition for review on *certiorari* under Rule 45 of the Rules of Court assailing the September 27, 2002 Decision of the Court of Appeals in CA-G.R. CV No. 52599,^[1] which modified that of the Regional Trial Court in Civil Case No. 550-M-87 dated July 11, 1994.^[2]

Petitioner Union Refinery Corporation is the owner of brand name "Unioil" and is engaged in the refining and manufacturing of lube oil and other petroleum products. On March 3, 1987, petitioner and respondent Roland B. Tolentino executed a Memorandum of Agreement (MOA) where the former appointed the latter as its authorized dealer of Unioil products for Quezon province and the Bicol region. Respondent Roland bound himself to either post a bond or execute a mortgage as security for his accountabilities under the contract. Pursuant to the MOA, the brothers of respondent Roland, respondents Rex and Reynaldo, Jr., executed deeds of chattel mortgage over four (4) vehicles in favor of petitioner. Accordingly, respondent Roland was granted by petitioner a credit line of P600,000.00 – P400,000.00 for fuels and P200,000.00 for lubes.

Respondent Roland, through his father respondent Reynaldo, Sr., whom the former authorized to manage and handle the dealership in a Special Power of Attorney executed for the purpose, was able to secure Unioil products and made regular payments to petitioner. But by June 1987, respondent Roland had allegedly overdrawn his credit line. Petitioner restructured respondent Roland's credit line after he issued UCPB Check No. 184124 to pay off his May 1987 purchases. Thus, his dealership of Unioil products continued but he started getting his supplies through ACOBI Resources Corporation (ACOB), a subsidiary and marketing arm of the petitioner.

Respondent Roland's UCPB Check No. 184124 bounced for insufficiency of funds. Petitioner filed a complaint for violation of Batas Pambansa Blg. 22 or the Bouncing Checks Law, but respondent Roland was acquitted.^[3]

Respondent Roland's unpaid debt allegedly ballooned to P2,555,362.34, hence, petitioner terminated the dealership contract on August 24, 1987. When its formal demand for payment was unheeded, petitioner instituted an action for collection of sum of money with preliminary attachment against respondent Roland. His parents,

respondents Reynaldo C. Tolentino, Sr. and Lucia B. Tolentino, and siblings, respondents Reynaldo, Jr. and Rex, were impleaded as co-defendants. The respondents-spouses Reynaldo, Sr. and Lucia were impleaded in the suit allegedly because they were the ones who actually secured the dealership contract with petitioner. Respondents Reynaldo, Jr. and Rex were sued for the chattel mortgage of their vehicles executed as security for their brother's obligation with petitioner.

On October 19, 1987, the trial court granted the prayer of petitioner for the issuance of a writ of preliminary attachment against the properties of respondents, sufficient to cover the obligation. On March 9, 1988, it likewise granted petitioner's application for replevin of the vehicles subject to the chattel mortgage executed by respondent Roland in representation of his brothers Rex and Reynaldo, Jr.

On February 9, 1988, petitioner amended its complaint to include respondent Roland's sister, Marylou B. Tolentino, for allegedly hiding the mortgaged vehicles.

On July 11, 1994, the trial court ruled for respondents,^[4] thus:

WHEREFORE, premises considered, judgment is hereby rendered DISMISSING the complaint. On the counterclaim, plaintiff is hereby ordered:

1. to pay the defendants Lucia Busog Tolentino, Dra. Marylou Tolentino, Rex Tolentino and Reynaldo Tolentino, Jr. the amount of P25,000.00 each for having been unnecessarily and unjustly sued in this case;
2. to pay the defendants the amount of P25,000.00 as attorney's fees, and
3. to pay the defendants the amount of P30,000.00 as actual damages.

Petitioner elevated the case to the Court of Appeals, which ruled that:^[5]

IN VIEW OF ALL THE FOREGOING, save for the awards of P25,000.00 each in favor of appellees Lucia B. Tolentino and Marylou Tolentino which are hereby **Affirmed**, the rest of the appealed decision is **REVERSED** and **SET ASIDE**, and a new one entered ordering appellee Roland B. Tolentino to pay the balance of his debt to appellant in the sum of P1,541,211.51 with interest at the rate of 6% per annum from the date of this decision until fully paid. No cost.

On December 4, 2002, instead of filing a Motion for Reconsideration like respondents, petitioner went to this Court on a petition for review on certiorari under Rule 45 of the Rules of Court. Meanwhile, the Motion for Reconsideration filed by respondents was denied by the Court of Appeals on August 20, 2003.^[6]

Petitioner contends that the Court of Appeals erred in ruling that:

- (1) Only respondent Roland B. Tolentino was liable to petitioner;
- (2) Respondents only owe petitioner the amount of P1,541,211.51;

(3) Interest of 6% should run only from the date of judgment until fully paid; and

(4) Respondents Lucia B. Tolentino and Marylou B. Tolentino are entitled to P25,000.00 each as damages for having been unnecessarily and unjustly sued in the case.

At a glance, it is obvious that the petition submits factual matters for determination of the Court. It disputes mainly the finding of the Court of Appeals on the amount owed by respondent Roland B. Tolentino to petitioner. The rule is well-settled that this Court's jurisdiction in cases brought before it from the Court of Appeals via Rule 45 of the Rules of Court is limited to reviewing errors of law. Generally, findings of fact of the Court of Appeals are conclusive.^[7] However, the rule admits of some exceptions, which include: (1) when the findings are grounded entirely on speculation, surmises, or conjectures; (2) when the inference made is manifestly mistaken, absurd, or impossible; (3) when there is grave abuse of discretion; (4) when the judgment is based on a misapprehension of facts; (5) when the findings of fact are conflicting; (6) when in making its findings the Court of Appeals went beyond the issues of the case, or its findings are contrary to the admissions of both the appellant and the appellee; **(7) when the findings are contrary to those of the trial court;** (8) when the findings are conclusions without citation of specific evidence on which they are based; (9) when the facts set forth in the petition as well as in the petitioner's main and reply briefs are not disputed by the respondent; and (10) when the findings of fact are premised on the supposed absence of evidence and contradicted by the evidence on record.^[8]

The case at bar clearly falls within one of the enumerated exceptions as the factual findings and conclusions of the trial court and Court of Appeals are conflicting. Thus, we have to re-examine and review the factual findings of the Court of Appeals.

I.

The basic civil law principle of relativity of contracts^[9] demands that contracts only bind the parties (their heirs and assigns) who entered into it. It cannot favor or prejudice third persons. Thus, the appellate court was correct in holding that the MOA between petitioner and respondent Roland binds only them, and that any obligation arising therefrom may only be invoked against each or both of them.

II.

Petitioner, however, contends that the appellate court erred in holding that respondent Roland only owes it P1,541,211.51 and not P2,183,895.43 as claimed.

The Court of Appeals found undisputed the P4,861,536.51 total purchases of respondent Roland's company from petitioner and ACOBI, and the P2,318,314.50 payments made by respondent Roland, which were covered by official receipts and one credit memo issued by the petitioner. Nonetheless, petitioner faults the ruling of the Court of Appeals that respondent Roland made a total of P1,002,010.50 unrecorded payments to it, thus: