

## SECOND DIVISION

**[ G.R. No. 125862, April 15, 2004 ]**

**FRANCISCO CULABA AND DEMETRIA CULABA, DOING BUSINESS  
UNDER THE NAME AND STYLE "CULABA STORE," PETITIONERS,  
VS. COURT OF APPEALS AND SAN MIGUEL CORPORATION,  
RESPONDENTS. D E C I S I O N**

**CALLEJO, SR., J.:**

This is a petition for review under Rule 45 of the Revised Rules of Civil Procedure of the Decision<sup>[1]</sup> of the Court of Appeals in CA-G.R. CV No. 19836 affirming *in toto* the Decision<sup>[2]</sup> of the Regional Trial Court of Makati, Branch 138, in Civil Case No. 1033 for collection of sum of money, and the Resolution<sup>[3]</sup> denying the motion for reconsideration of the said decision.

### The Undisputed Facts

The spouses Francisco and Demetria Culaba were the owners and proprietors of the Culaba Store and were engaged in the sale and distribution of San Miguel Corporation's (SMC) beer products. SMC sold beer products on credit to the Culaba spouses in the amount of P28,650.00, as evidenced by Temporary Credit Invoice No. 42943.<sup>[4]</sup> Thereafter, the Culaba spouses made a partial payment of P3,740.00, leaving an unpaid balance of P24,910.00. As they failed to pay despite repeated demands, SMC filed an action for collection of a sum of money against them before the RTC of Makati, Branch 138.

The defendant-spouses denied any liability, claiming that they had already paid the plaintiff in full on four separate occasions. To substantiate this claim, the defendants presented four (4) Temporary Charge Sales (TCS) Liquidation Receipts, as follows:

April 19, 1983	Receipt No. 27331	for P8,000 <sup>[5]</sup>
April 22, 1983	Receipt No. 27318	for P9,000 <sup>[6]</sup>
April 27, 1983	Receipt No. 27339	for P4,500 <sup>[7]</sup>
April 30, 1983	Receipt No. 27346	for P3,410 <sup>[8]</sup>

Defendant Francisco Culaba testified that he made the foregoing payments to an SMC supervisor who came in an SMC van. He was then showed a list of customers' accountabilities which included his account. The defendant, in good faith, then paid to the said supervisor, and he was, in turn, issued genuine SMC liquidation receipts.

For its part, SMC submitted a publisher's affidavit<sup>[9]</sup> to prove that the entire booklet of TCSL Receipts bearing Nos. 27301-27350 were reported lost by it, and that it caused the publication of the notice of loss in the July 9, 1983 issue of the Daily Express, as follows:

## **NOTICE OF LOSS**

OUR CUSTOMERS ARE HEREBY INFORMED THAT TEMPORARY CHARGE SALES LIQUIDATION RECEIPTS WITH SERIAL NOS. 27301-27350 HAVE BEEN LOST.

ANY TRANSACTION, THEREFORE, ENTERED INTO WITH THE USE OF THE ABOVE RECEIPTS WILL NOT BE HONORED.

SAN MIGUEL CORPORATION  
BEER DIVISION  
Makati Beer Region<sup>[10]</sup>

### **The Trial Court's Ruling**

After trial on the merits, the trial court rendered judgment in favor of SMC, and held the Culaba spouses liable on the balance of its obligation, thus:

Wherefore, judgment is hereby rendered in favor of the plaintiff, as follows:

1. Ordering defendants to pay the amount of P24,910.00 plus legal interest of 6% per annum from April 12, 1983 until the whole amount is fully paid;
2. Ordering defendants to pay 20% of the amount due to plaintiff as and for attorney's fees plus costs.

SO ORDERED.<sup>[11]</sup>

According to the trial court, it was unusual that defendant Francisco Culaba forgot the name of the collector to whom he made the payments and that he did not require the said collector to print his name on the receipts. The court also noted that although they were part of a single booklet, the TCS Liquidation Receipts submitted by the defendants did not appear to have been issued in their natural sequence. Furthermore, they were part of the lost booklet receipts, which the public was duly warned of through the Notice of Loss the plaintiff caused to be published in a daily newspaper. This confirmed the plaintiff's claim that the receipts presented by the defendants were spurious ones.

### **The Case on Appeal**

On appeal, the appellants interposed the following assignment of errors:

#### **I**

THE TRIAL COURT ERRED IN FINDING THAT THE RECEIPTS PRESENTED BY DEFENDANTS EVIDENCING HIS PAYMENTS TO PLAINTIFF SAN MIGUEL CORPORATION, ARE SPURIOUS.

#### **II**

THE TRIAL COURT ERRED IN CONCLUDING THAT PLAINTIFF-APPELLEE HAS SUFFICIENTLY PROVED ITS CAUSE OF ACTION AGAINST THE DEFENDANTS.

### III

THE TRIAL COURT ERRED IN ORDERING DEFENDANTS TO PAY 20% OF THE AMOUNT DUE TO PLAINTIFF AS ATTORNEY'S FEES.<sup>[12]</sup>

The appellants asserted that while the trial court's observations were true, it was the usual business practice in previous transactions between them and SMC. The SMC previously honored receipts not bearing the salesman's name. According to appellant Francisco Culaba, he even lost some of the receipts, but did not encounter any problems.

According to appellant Francisco, he could not be faulted for paying the SMC collector who came in a van and was in uniform, and that any regular customer would, without any apprehension, transact with such an SMC employee. Furthermore, the respective receipts issued to him at the time he paid on the four occasions mentioned had not yet then been declared lost. Thus, the subsequent publication in a daily newspaper declaring the booklets lost did not affect the validity and legality of the payments made. Accordingly, by its actuations, the SMC was estopped from questioning the legality of the payments and had no cause of action against the appellants.

Anent the issue of attorney's fees, the order of the trial court for payment thereof is without basis. According to the appellant, the provision for attorney's fees is a contingent fee, already provided for in the SMC's contract with the law firm. To further order them to pay 20% of the amount due as attorney's fees is double payment, tantamount to undue enrichment and therefore improper.<sup>[13]</sup>

The appellee, for its part, contended that the primary issue in the case at bar revolved around the basic and fundamental principles of agency.<sup>[14]</sup> It was incumbent upon the defendants-appellants to exercise ordinary prudence and reasonable diligence to verify and identify the extent of the alleged agent's authority. It was their burden to establish the true identity of the assumed agent, and this could not be established by mere representation, rumor or general reputation. As they utterly failed in this regard, the appellants must suffer the consequences.

The Court of Appeals affirmed the decision of the trial court, thus:

In the face of the somewhat tenuous evidence presented by the appellants, we cannot fault the lower court for giving more weight to appellee's testimonial and documentary evidence, all of which establish with some degree of preponderance the existence of the account sued upon.

**ALL CONSIDERED**, we cannot find any justification to reject the factual findings of the lower court to which we must accord respect, for which reason, the judgment appealed from is hereby **AFFIRMED** in all

respects.

**SO ORDERED.**<sup>[15]</sup>

Hence, the instant petition.

The petitioners pose the following issues for the Court's resolution:

I. WHETHER OR NOT THE RESPONDENT HAD PROVEN BY PREPONDERANT EVIDENCE THAT IT HAD PROPERLY AND TIMELY NOTIFIED PETITIONER OF LOST BOOKLET OF RECEIPTS

II. WHETHER OR NOT RESPONDENT HAD PROVEN BY PREPONDERANT EVIDENCE THAT PETITIONER WAS REMISS IN THE PAYMENT OF HIS ACCOUNTS TO ITS AGENT.<sup>[16]</sup>

According to the petitioners, receiving receipts from the private respondent's agents instead of its salesmen was a usual occurrence, as they had been operating the store since 1979. Thus, on four occasions in April 1983, when an agent of the respondent came to the store wearing an SMC uniform and driving an SMC van, petitioner Francisco Culaba, without question, paid his accounts. He received the receipts without fear, as they were similar to what he used to receive before. Furthermore, the petitioners assert that, common experience will attest that unless the attention of the customers is called for, they would not take note of the serial number of the receipts.

The petitioners contend that the private respondent advertised its warning to the public only after the damage was done, or on July 9, 1993. Its belated notice showed its glaring lack of interest or concern for its customers' welfare, and, in sum, its negligence.

Anent the second issue, petitioner Francisco Culaba avers that the agent to whom the accounts were paid had all the physical and material attributes or indications of a representative of the private respondent, leaving no doubt that he was duly authorized by the latter. Petitioner Francisco Culaba's testimony that "he does not necessarily check the contents of the receipts issued to him except for the amount indicated if [the] same accurately reflects his actual payment" is a common attitude of customers. He could, thus, not be faulted for paying the private respondent's agent on four occasions. Petitioner Francisco Culaba asserts that he made the payment in good faith, to an agent who issued SMC receipts which appeared to be genuine. Thus, according to the petitioners, they had duly paid their obligation in accordance with Articles 1240 and 1242 of the New Civil Code.

The private respondent, for its part, avers that the burden of proving payment is with the debtor, in consonance with the express provision of Article 1233 of the New Civil Code. The petitioners miserably failed to prove the self-serving allegation that they already paid their liability to the private respondent. Furthermore, under normal circumstances, an obligor would not just pay a substantial amount to someone whom he saw for the first time, without even asking for the latter's name.

### **The Ruling of the Court**