

## SECOND DIVISION

[ G.R. No. 139256, December 27, 2002 ]

**REPUBLIC OF THE PHILIPPINES, REPRESENTED BY SUGAR  
REGULATORY ADMINISTRATION, PETITIONER, VS. SULPICIO  
TANCINCO, RESPONDENT.**

### D E C I S I O N

**AUSTRIA-MARTINEZ, J.:**

Assailed *via* a petition for review on *certiorari* by the Sugar Regulatory Administration (SRA for brevity) is the decision of the Court of Appeals in CA-G.R. CV No. 36110 dismissing SRA's appeal and affirming the decision of the Regional Trial Court of Cagayan de Oro City (Branch 24) in Civil Case No. 10117 for Damages.

The facts of this case are undisputed:

The National Sugar Trading Corporation (NASUTRA), a domestic corporation created for the purpose of engaging in the trading of sugar, and a subsidiary of the Philippine Sugar Commission (Philsucom), an entity owned and controlled by the Philippine government, leased the warehouse of Sulpicio Tancinco in Cagayan de Oro City. The contract was for a period of 3 months starting November 23, 1984 renewable for another 3 years.<sup>[1]</sup>

On December 29, 1984, the eastern wall of the warehouse collapsed causing death and injuries to several persons and damage to houses within the area. Tancinco was constrained to incur expenses for the repair and restoration of the warehouse and indemnity for the victims. Due to NASUTRA's refusal to reimburse Tancinco, the latter filed on March 28, 1985 a complaint for Damages with the Regional Trial Court of Cagayan de Oro City (Branch 23).<sup>[2]</sup> NASUTRA filed its Answer disclaiming any liability.<sup>[3]</sup>

In the meantime, NASUTRA was converted into a private corporation called the Philippine Sugar Marketing Corporation (Philsuma), the sole marketing agency for the sugar industry to be owned completely by sugar producers.<sup>[4]</sup> Thereafter, Philsucom was phased out by Executive Order No. 18 in 1986, at same time creating petitioner SRA.<sup>[5]</sup> NASUTRA substituted petitioner SRA and filed on February 8, 1988, an Answer putting up the defenses that it cannot be liable for NASUTRA's obligation as it was created after the incident took place and that it is a separate and distinct entity from the former.<sup>[6]</sup>

On May 17, 1990, respondent Tancinco died and he was substituted by his heirs.

On January 10, 1991, the trial court received Tancinco's evidence *ex parte* as SRA was declared in default.<sup>[7]</sup> On February 18, 1991, the RTC rendered its decision in favor of Tancinco. The dispositive portion of the decision reads:

"WHEREFORE, premises considered, judgment is hereby rendered in favor of plaintiff and against the SUGAR REGULATORY ADMINISTRATION as liquidator and defendant NASUTRA and other defendants to pay jointly and severally the former the following sums:

- "a) P229,006.00 for materials used in the repair of the warehouse;
- "b) P79,775.60 for labor;
- "c) P1,658.22 for fule (sic) and oil;
- "d) P972.80 for light and power;
- "e) P6,157.82 for medicines to victims;
- "f) P436.00 for miscellaneous expenses;
- "g) P19,680.00 spent for the guards;
- "h) P30,000.00 as attorney's fees all with legal rate of interest from December 29, 1984 until fully paid.

"Without pronouncement as to cost.

"SO ORDERED."<sup>[8]</sup>

The trial court ruled that under Section 13, paragraph 3 of E.O. No. 18 and reiterated in E. O. No. 114,<sup>[9]</sup> SRA, as the liquidator of Philsuma, was, together with its co-defendants, jointly liable to Tancinco.

SRA appealed to the Court of Appeals which rendered the herein assailed decision dated February 19, 1999. The appellate court held that "(S)ince PHILSUCOM had succeeded NASUTRA, and the appellant SRA in turn assumed the liabilities of PHILSUCOM, even if only to a *limited extent*, it logically follows that appellant SRA may still be held liable for the herein claim for damages of the appellee", citing the case of *Spouses Gonzales v. Sugar Regulatory Administration*, 174 SCRA 377 [1989].<sup>[10]</sup>

Hence, the present petition for review, on the following grounds:

"By affirming the decision of the court Lower court (*sic*), the Court of Appeals disregarded the ruling of this Honorable Court in Gonzales vs. Sugar Regulatory Administration (174 SCRA 377), which provided for limited assumption of liability of PHILSUCOM by SRA. It also acted not in accordance with law on the nature of ordinary obligation as not joint and solidary."<sup>[11]</sup>

SRA insists that the ruling in the *Gonzales* case sets a condition upon which it may assume liability, *i.e.*, that respondent must show that SRA is holding Philsucom's assets which could answer for NASUTRA's liability.<sup>[12]</sup> Moreover, SRA also maintains that E.O. No. 18 did not make it the liquidator of Philsucom nor jointly and solidarily liable with NASUTRA.<sup>[13]</sup>

The principal issue in this case is whether Tancinco or his heirs may recover NASUTRA's adjudged liability from SRA.