

THIRD DIVISION

[G.R. No. 135813, October 25, 2001]

FERNANDO SANTOS, PETITIONER, VS. SPOUSES ARSENIO AND NIEVES REYES, RESPONDENTS.

DECISION

PANGANIBAN, J.:

As a general rule, the factual findings of the Court of Appeals affirming those of the trial court are binding on the Supreme Court. However, there are several exceptions to this principle. In the present case, we find occasion to apply both the rule and one of the exceptions.

The Case

Before us is a Petition for Review on Certiorari assailing the November 28, 1997 Decision,^[1] as well as the August 17, 1998 and the October 9, 1998 Resolutions,^[2] issued by the Court of Appeals (CA) in CA-GR CV No. 34742. The Assailed Decision disposed as follows:

"WHEREFORE, the decision appealed from is AFFIRMED save as for the counterclaim which is hereby DISMISSED. Costs against [petitioner]."^[3]

Resolving respondent's Motion for Reconsideration, the August 17, 1998 Resolution ruled as follows:

"WHEREFORE, [respondents'] motion for reconsideration is GRANTED. Accordingly, the court's decision dated November 28, 1997 is hereby MODIFIED in that the decision appealed from is AFFIRMED *in toto*, with costs against [petitioner]."^[4]

The October 9, 1998 Resolution denied "for lack of merit" petitioner's Motion for Reconsideration of the August 17, 1998 Resolution.^[5]

The Facts

The events that led to this case are summarized by the CA as follows:

"Sometime in June, 1986, [Petitioner] Fernando Santos and [Respondent] Nieves Reyes were introduced to each other by one Meliton Zabat regarding a lending business venture proposed by Nieves. It was

verbally agreed that [petitioner would] act as financier while [Nieves] and Zabat [would] take charge of solicitation of members and collection of loan payments. The venture was launched on June 13, 1986, with the understanding that [petitioner] would receive 70% of the profits while x x x Nieves and Zabat would earn 15% each.

"In July, 1986, x x x Nieves introduced Cesar Gragera to [petitioner]. Gragera, as chairman of the Monte Maria Development Corporation^[6] (Monte Maria, for brevity), sought short-term loans for members of the corporation. [Petitioner] and Gragera executed an agreement providing funds for Monte Maria's members. Under the agreement, Monte Maria, represented by Gragera, was entitled to P1.31 commission per thousand paid daily to [petitioner] (Exh. 'A'). x x x Nieves kept the books as representative of [petitioner] while [Respondent] Arsenio, husband of Nieves, acted as credit investigator.

"On August 6, 1986, [petitioner], x x x [Nieves] and Zabat executed the 'Article of Agreement' which formalized their earlier verbal arrangement.

"[Petitioner] and [Nieves] later discovered that their partner Zabat engaged in the same lending business in competition with their partnership[.] Zabat was thereby expelled from the partnership. The operations with Monte Maria continued.

"On June 5, 1987, [petitioner] filed a complaint for recovery of sum of money and damages. [Petitioner] charged [respondents], allegedly in their capacities as employees of [petitioner], with having misappropriated funds intended for Gragera for the period July 8, 1986 up to March 31, 1987. Upon Gragera's complaint that his commissions were inadequately remitted, [petitioner] entrusted P200,000.00 to x x x Nieves to be given to Gragera. x x x Nieves allegedly failed to account for the amount. [Petitioner] asserted that after examination of the records, he found that of the total amount of P4,623,201.90 entrusted to [respondents], only P3,068,133.20 was remitted to Gragera, thereby leaving the balance of P1,555,065.70 unaccounted for.

"In their answer, [respondents] asserted that they were partners and not mere employees of [petitioner]. The complaint, they alleged, was filed to preempt and prevent them from claiming their rightful share to the profits of the partnership.

"x x x Arsenio alleged that he was enticed by [petitioner] to take the place of Zabat after [petitioner] learned of Zabat's activities. Arsenio resigned from his job at the Asian Development Bank to join the partnership.

"For her part, x x x Nieves claimed that she participated in the business as a partner, as the lending activity with Monte Maria originated from her initiative. Except for the limited period of July 8, 1986 through August 20, 1986, she did not handle sums intended for Gragera. Collections were turned over to Gragera because he guaranteed 100% payment of all sums loaned by Monte Maria. Entries she made on worksheets were

based on this assumptive 100% collection of all loans. The loan releases were made less Gragera's agreed commission. Because of this arrangement, she neither received payments from borrowers nor remitted any amount to Gragera. Her job was merely to make worksheets (Exhs. `15' to `15-DDDDDDDDDD') to convey to [petitioner] how much he would earn if all the sums guaranteed by Gragera were collected.

"[Petitioner] on the other hand insisted that [respondents] were his mere employees and not partners with respect to the agreement with Gragera. He claimed that after he discovered Zabat's activities, he ceased infusing funds, thereby causing the extinguishment of the partnership. The agreement with Gragera was a distinct partnership [from] that of [respondent] and Zabat. [Petitioner] asserted that [respondents] were hired as salaried employees with respect to the partnership between [petitioner] and Gragera.

"[Petitioner] further asserted that in Nieves' capacity as bookkeeper, she received all payments from which Nieves deducted Gragera's commission. The commission would then be remitted to Gragera. She likewise determined loan releases.

"During the pre-trial, the parties narrowed the issues to the following points: whether [respondents] were employees or partners of [petitioner], whether [petitioner] entrusted money to [respondents] for delivery to Gragera, whether the P1,555,068.70 claimed under the complaint was actually remitted to Gragera and whether [respondents] were entitled to their counterclaim for share in the profits."^[7]

Ruling of the Trial Court

In its August 13, 1991 Decision, the trial court held that respondents were partners, not mere employees, of petitioner. It further ruled that Gragera was only a commission agent of petitioner, not his partner. Petitioner moreover failed to prove that he had entrusted any money to Nieves. Thus, respondents' counterclaim for their share in the partnership and for damages was granted. The trial court disposed as follows:

"39. WHEREFORE, the Court hereby renders judgment as follows:

39.1. THE SECOND AMENDED COMPLAINT dated July 26, 1989 is DISMISSED.

39.2. The [Petitioner] FERNANDO J. SANTOS is ordered to pay the [Respondent] NIEVES S. REYES, the following:

39.2.1.	P3,064,428.00	-	The 15 percent share of the [respondent] NIEVES S. REYES in the profits of
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			her joint venture with the [petitioner].
39.2.2	. Six (6) percent of P3,064,428.00	-	As damages from August 3, 1987 until the P3,064,428.00 is fully paid.
39.2.3.	P50,000.00	-	As moral damages
39.2.4.	P10,000.00	-	As exemplary damages

39.3. The [petitioner] FERNANDO J. SANTOS is ordered to pay the [respondent] ARSENIO REYES, the following:

39.3.1	. P2,899,739.50	-	The balance of the 15 percent share of the [respondent] ARSENIO REYES in the profits of his joint venture with the [petitioner].
39.3.2.	Six (6) percent - of	-	As damages from P2,899,739.50 August 3, 1987 until the P2,899,739.50 is fully paid.
39.3.3.	P25,000.00	-	As moral damages
39.3.4.	P10,000.00	-	As exemplary damages

39.4. The [petitioner] FERNANDO J. SANTOS is ordered to pay the [respondents]:

39.4.1.	P50,000.00	-	As attorney's fees; and
39.4.2	The cost of the suit." ^[8]		

Ruling of the Court of Appeals

On appeal, the Decision of the trial court was upheld, and the counterclaim of respondents was dismissed. Upon the latter's Motion for Reconsideration, however,

the trial court's Decision was reinstated *in toto*. Subsequently, petitioner's own Motion for Reconsideration was denied in the CA Resolution of October 9, 1998.

The CA ruled that the following circumstances indicated the existence of a partnership among the parties: (1) it was Nieves who broached to petitioner the idea of starting a money-lending business and introduced him to Gragera; (2) Arsenio received "dividends" or "profit-shares" covering the period July 15 to August 7, 1986 (Exh. "6"); and (3) the partnership contract was executed after the Agreement with Gragera and petitioner and thus showed the parties' intention to consider it as a transaction of the partnership. In their common venture, petitioner invested capital while respondents contributed industry or services, with the intention of sharing in the profits of the business.

The CA disbelieved petitioner's claim that Nieves had misappropriated a total of P200,000 which was supposed to be delivered to Gragera to cover unpaid commissions. It was his task to collect the amounts due, while hers was merely to prepare the daily cash flow reports (Exhs. "15-15DDDDDDDDDD") to keep track of his collections.

Hence, this Petition.^[9]

Issue

Petitioner asks this Court to rule on the following issues:^[10]

"Whether or not Respondent Court of Appeals acted with grave abuse of discretion tantamount to excess or lack of jurisdiction in:

1. Holding that private respondents were partners/joint venturers and not employees of Santos in connection with the agreement between Santos and Monte Maria/Gragera;
2. Affirming the findings of the trial court that the phrase 'Received by' on documents signed by Nieves Reyes signified receipt of copies of the documents and not of the sums shown thereon;
3. Affirming that the signature of Nieves Reyes on Exhibit 'E' was a forgery;
4. Finding that Exhibit 'H' [did] not establish receipt by Nieves Reyes of P200,000.00 for delivery to Gragera;
5. Affirming the dismissal of Santos' [Second] Amended Complaint;
6. Affirming the decision of the trial court, upholding private respondents' counterclaim;
7. Denying Santos' motion for reconsideration dated September 11, 1998."