

## THIRD DIVISION

[ G.R. No. 125947, June 08, 2000 ]

**ROMAGO ELECTRIC CO., INC., PETITIONER, VS. COURT OF  
APPEALS, TOYOTA SHAW, INC. AND SEVERINO C. LIM,  
RESPONDENTS.**

### D E C I S I O N

**GONZAGA-REYES, J.:**

This petition for review on *certiorari* under Rule 45 of the Revised Rules of Court seeks to set aside the decision<sup>[1]</sup> of the Court of Appeals in CA-G.R. No. 37920 dated July 30, 1996 which reversed and set aside the decision dated 13 September 1991 of the Regional Trial Court of Pasig, Branch 158, in Civil Case No. 59032, an action for collection of a sum of money filed by plaintiff-petitioner Romago Electric Co., Inc. against defendant-private respondents Toyota Shaw, Inc. and Severino Lim. The dispositive portion of the aforesaid decision of the trial court reads:

"WHEREFORE, in view of the foregoing, judgment is rendered in favor of the plaintiff and against defendant Toyota Shaw, Inc. ordering the latter:

- a) To pay plaintiff the amount of P75,060.76 representing its share of the rentals and utilities paid by plaintiff with legal interest from date of judicial demand until fully paid;
- b) To pay plaintiff P10,000.00 for and as attorney's fees, and
- c) Costs of suit.

SO ORDERED."<sup>[2]</sup>

The trial court absolved defendant Severino Lim of any liability. After defendant Toyota's motion for reconsideration was denied by the trial court in its Order dated January 15, 1992, Toyota appealed to the Court of Appeals assailing the trial court's decision ordering defendants-appellants to pay plaintiff-appellee its share of the rentals and utilities charges paid by the latter and attorney fees. In its decision dated July 30, 1996, respondent Court of Appeals reversed and set aside the trial court's decision.<sup>[3]</sup>

The facts insofar as material to this petition, are as follows:

Petitioner Romago Electric Co., Inc. (hereafter Romago) and Motown Vehicles, Inc. (hereafter Motown) are/were sister companies. Mr. Francisco Gonzales is the president and principal stockholder of both companies. Romago and Motown used to occupy a building owned by Motown located at the corner of Torres Street and Shaw Boulevard, Mandaluyong, Metro Manila which was built on two adjoining lots with an

aggregate area of 4,994 square meters which has been leased by Motown since June 1978 from Tanglaw Realty, Inc. (Tanglaw for short), the registered owner.

When Motown ceased operations sometime in 1986, Romago took over the occupancy of the whole building and assumed Motown's obligation for the full payment of the lease rentals to Tanglaw. Romago paid the rentals direct to Tanglaw for the account of Motown, as no new lease agreement was executed by and between Romago and Tanglaw.

On November 29, 1988, Francisco Gonzales as president and principal stockholder of Motown, made an offer of sale (Exhibit "2") of 100% equity in Motown held by him and his co-stockholders Roque Ma. Gonzales and Carmen Gonzales to Mr. Enrique Sobrepeña of the College Assurance Plan Philippines, Inc. (CAP) and his Filipino business partners namely: Arthur Macapagal, Col. Coronado Muñasque, Jorge Salazar, and Severino Lim, all co-owners and officers of Toyota Shaw, Inc. (hereafter TSI), who at that time were planning a joint venture to secure a dealership franchise from Toyota Corporation of Japan and Toyota Philippines, Inc. Sobrepeña later withdrew from the planned business venture because of certain legal restrictions. However, under letter dated January 12, 1989 (Exhibit "1") he indorsed/assigned the offer of Gonzales (Exhibit "2") to his other supposed co-investors. The said letter-offer (Exh. "2") of Mr. Gonzales as first conveyed to the group through Sobrepeña, stated among others, that:

1. Motown Vehicles, Inc. has a paid-up capital of P4M divided into 400,000 shares issued and outstanding with a par value of P10.00;
2. Motown owns a building with improvements thereon on a lot covering 4,994 sq. m. at the corner of Torres St. and Shaw Blvd., which lot is owned by Tanglaw Realty and covered by corresponding lease agreement duly annotated on TCTs 9277 and 10366 of the Register of Deeds for the province of Rizal;
3. Motown Vehicles Inc. shares will be sold on a clean basis, that is, free from any liabilities or assets other than the building, improvements and duly annotated lease; and
4. The premises are presently occupied by Romago Inc. and adequate time has to be mutually agreed to effect peaceful transfer. However, portions of the premises may be occupied immediately primarily for [your] training purposes.<sup>[4]</sup> (Underlining supplied)

On January 23, 1989, a Stock Purchase Agreement, hereinafter referred to as the "Motown Agreement" (Exhibit "A"; also Exh. "3") was entered into by and between the stockholders of Motown represented by Francisco Gonzales, as Vendors and TSI represented by Severino Lim as Vendee regarding the sale to the latter of all the fixed and movable improvements and equipment of Motown and 100% of all its issued and outstanding shares of stock including all subscription rights to the capital stock of Motown and deposits for future stock subscriptions at the total purchase price of P11,500,000.00. Of this amount, P6,746,000.00 represents the purchase price of the 400,000 outstanding and issued Motown shares of stock, the value of all subscription rights to the capital stock of Motown and all deposits made for future stock subscriptions to capital stock of Motown. The balance of P4,754,000.00

represents the total loans and advances made by Romago and other shareholders to Motown. Under the Motown Agreement, Vendee assumes none of Motown's liabilities, real or contingent except the aforementioned P4,754,000.00 total loans and advances from Romago and Vendors warrant that there are no claims or encumbrances against the fixed assets, properties and equipment of Motown.

On February 9, 1989 after TSI made an initial payment of P2,000,000.00, Mr. Gonzales allowed TSI to occupy a portion (about 209 square meters) of the approximately 5,000 square meter Motown building to enable it to install its facilities and do the renovation work on the dealership showroom that was to be established therein. Thus Romago and TSI jointly occupied the building and the leased premises from the middle of February up to May 1989 when Romago vacated the premises and TSI completed payment under the Stock Purchase Agreement and fully occupied the same. For the months of February and March 1989, Romago paid the rents to Tanglaw and the utilities charges for lights and water. TSI paid for the same expenses for the months of April and May 1989.

Meanwhile, in accordance with its undertaking under the Stock Purchase Agreement, Motown thru Francisco Gonzales made three (3) payments to Romago in the following amounts: P4,754,000.00 as full refund or payment of Romago's deposit for future subscription to the capital stock of Motown; P1,200,000.00 as payment of Romago's outstanding receivables from Motown; and P3,687,192.00 as partial refund and/or payment of Mr. Gonzales' own deposits for future subscription to capital stock of Motown. Receipt of these payments was acknowledged by Mr. Francisco Gonzales, in his own behalf and as President of Romago, as evidenced by three (3) Release and Quitclaim Affidavits (Exhs. "5", "6" and "7") which uniformly contain a common provision which warranted that for and in consideration of the specified amount of money received from Motown Vehicles, Inc., Motown is released from all claims arising from said advances, and Romago has "no more claim(s) whatsoever from Motown Vehicles, Inc. whether past, present or contingent."

On March 27, 1989, TSI was in receipt of a Statement of Account sent by the chief accountant of Romago in the amount of P107,068.28 (Exh. "B") representing TSI's alleged unpaid one-half share in the rental (of the land) and in utilities charges for light and water for February 1989 and the whole rental and utilities expenses for March 1989. The account was based on a supposed verbal agreement between Mr. Francisco Gonzales and Mr. Severino Lim of TSI regarding an equal sharing in the payment thereof. TSI denied that there was such an agreement and refused to settle the account. On August 17, 1989 a formal letter of demand (Exh. "C") was sent by Romago's Executive Assistant Leah P. Florentino to TSI, and shortly thereafter, Romago filed a complaint before the Regional Trial Court of Pasig against TSI for the collection of the sum of P107,068.28 representing the advances it made for TSI's share in the rental and utilities charges for the months of February and March 1989 plus attorney's fees and costs.

In its decision dated 13 September 1991, the trial court ruled that although there was no written agreement regarding the sharing arrangement for the payment of rentals and utilities charges, there existed an external and verbal agreement to that effect between Romago and TSI and that this verbal agreement is valid because contracts are binding on the parties in whatever form they may have been entered into citing Article 1356 of the Civil Code and the ruling in the case of Lopez vs. Auditor General (20 SCRA 658). The trial court based its ruling on "the direct and

unequivocal testimonies" of Francisco Gonzales and Leah Florentino stating that on the basis thereof, plaintiff Romago is entitled to be reimbursed by TSI for the advances it has made on the rents and charges for utilities used for the months of February and March 1989.<sup>[5]</sup>

On appeal, respondent Court of Appeals found that the trial court's decision "contradicts the law and the evidence on record." Respondent Court concluded that the Stock Purchase Agreement (Exh. "A" or Exh. "3") is the only agreement entered into by the parties and this Agreement embodied all the terms agreed upon and also set forth all the necessary elements to put into effect and complete the sale of the Motown stocks to TSI. Respondent Court also disagreed with the finding of the trial court that the offer made by Mr. Gonzales to Mr. Sobrepeña regarding the sale of Motown shares should not be extended to the owners of TSI. Respondent Court maintained that Mr. Sobrepeña did not enter into the negotiations in his personal capacity but in behalf and as an agent of the group of investors who at that time desired to enter into a car dealership business with Toyota Corporation of Japan and the letter-offer of Mr. Gonzales dated November 29, 1988, (Exh. "2") was the same letter-offer indorsed and assigned by Mr. Sobrepeña to Jorge Salazar and Severino Lim of TSI on January 12, 1989 (Exh. "1").

Lastly, respondent Court of Appeals opined that based on equity, TSI should not be held liable to Romago for the rents and utilities charges. Since both Romago and TSI had occupied the premises for four (4) months and both parties paid equally two months rent and utilities charges (Romago for February and March 1989 and TSI for April and May 1989), the matter of payment of rentals and utilities charges has been "sufficiently settled".<sup>[6]</sup>

In the instant petition for review, petitioner seeks the reinstatement of the trial court's decision alleging that the respondent Court of Appeals committed the following errors in its decision, to wit:

1. THAT THERE WAS NO AGREEMENT WHATSOEVER, WHETHER ORAL OR WRITTEN, ON THE SHARING OF THE RENTALS AND UTILITIES EXPENSES, (p.8, Decision) THEREBY REVERSING THE FINDINGS OF FACT OF THE TRIAL COURT.
2. THAT THE OFFER TO MR. ENRIQUE SOBREPEÑA, JR. WAS THE SAME OFFER GIVEN BY PETITIONER TO PRIVATE RESPONDENTS (pp. 9-10, Decision)
3. THAT THE STOCK PURCHASE AGREEMENT IS SILENT ON THE SHARING OF RENTALS, HENCE, PETITIONER CANNOT CLAIM THE SAME.
4. IN RELYING ON THE QUITCLAIMS, EXHIBITS "5", "6" AND "7", THEREBY CONCLUDING THAT PRIVATE RESPONDENTS HAVE NO MORE OBLIGATION TO PETITIONER (pp. 11-12, Decision).
5. THAT THE TRIAL COURT HAD NO BASIS TO SUPPORT ITS FINDING THAT THERE WAS AN AGREEMENT TO SHARE THE RENTALS AND UTILITIES EXPENSES (p. 12, Decision).
6. THAT RESPONDENT COURT OF APPEALS FAILED TO APPRECIATE ARTICLE 1236 OF THE NEW CIVIL CODE,<sup>[7]</sup> more particularly paragraph 2 thereof which states: