

SECOND DIVISION

[G.R. No. 133576, July 13, 2000]

**VIEWMASTER CONSTRUCTION CORPORATION, PETITIONER, VS.
ALLEN C. ROXAS, STATE INVESTMENT TRUST, INC., NORTHEAST
LAND DEVELOPMENT, INC., AND STATE PROPERTIES
CORPORATION, RESPONDENTS.**

D E C I S I O N

BUENA, J.:

This is a petition for review of the decision of the Court of Appeals in CA-GR SP No. 44000 entitled "Allen C. Roxas, State Investment Trust, Inc., Northeast Land Development, Inc., and State Properties Corporation, petitioners, versus Hon. Jesus Bersamira and Viewmaster Construction Corporation, respondents."

The facts of the case are as follows:

On September 8, 1995 Viewmaster Construction Corporation (Viewmaster, for brevity) filed with the Regional Trial Court at Pasig City, Branch 166, Civil Case No. 65277, a complaint for specific performance, enforcement of implied trust and damages against State Investment Trust, Inc., Northeast Land Development, Inc., State Properties Corporation and Allen C. Roxas.

It was alleged that Allen Roxas, one of the stockholders of State Investment Trust, Inc. applied for a loan with First Metro Investments, Inc. (FMIC, in short) in order to obtain funds to be used by him or his agents/privies to bid for the control and ownership of State Investment Trust, Inc. (State Investment, for brevity) which will be held among the members of the Chiong/Roxas family, as he had no funds of his own at the time to satisfy the required bid deposit and/or down payment.

FMIC agreed to grant Allen Roxas the loan he requested without any collateral, i.e., a clean loan, provided that he procures a guarantor/surety/solidary co-debtor to secure the payment for the said loan.

Viewmaster agreed to act as guarantor for the loan conditioned upon the following:

- a) Allen Roxas shall sell and Viewmaster shall purchase fifty percent (50%) of the total eventual acquisitions of Roxas of the shares of stock in State Investment and that the purchase price to be paid by Viewmaster for the said shares shall be equivalent to the successful bid price per share plus an additional ten percent (10%) per share.
- b) Viewmaster shall undertake to develop the parcels of land in Balintawak, Quezon City and Las Piñas consisting of twenty thousand (20,000) square meters and seven hundred eighty-six thousand one

hundred sixty-seven (786,167) square meters, respectively, for the property owners.

In consideration of the guaranty of Viewmaster, FMIC delivered to Allen Roxas the aggregate principal amount of thirty-six million five hundred thousand pesos (P36,500,000.00).

On July 2, 1992, Viewmaster executed a Continuing Guaranty with FMIC to secure the payment of the said loans.

As a result of the loans granted by FMIC in consideration of, and upon the guaranty of Viewmaster, Allen Roxas eventually gained control and ownership of State Investment.

Despite demand, Allen Roxas failed and refused to sell 50% of his shareholdings in State Investment and to enter into a joint venture project with Viewmaster for the purpose of developing the two aforementioned real properties, resulting in the institution by Viewmaster of Civil Case No. 65277^[1] with the RTC at Pasig City.

On October 25, 1995, the defendants namely, State Investment Trust, Inc., Northeast Land Development, Inc., State Properties Corporation and Allen C. Roxas filed a motion to dismiss^[2] the complaint on the following grounds:

- a) the claim on which the action is founded is unenforceable under the provisions of the Statute of Frauds; and
- b) the complaint states no cause of action.

Thereafter, or on November 24, 1995, an Opposition^[3] (to Defendants' "Motion to Dismiss" dated 25 October 1995) was filed by Viewmaster.

The trial court conducted a hearing of Viewmaster's application for the issuance of a temporary restraining order/writ of preliminary injunction.

On May 15, 1996, an order^[4] was issued dismissing the complaint and denying Viewmaster's application for a temporary restraining order/writ of preliminary injunction.

A motion for reconsideration dated May 29, 1996^[5] was filed by Viewmaster to which an opposition was filed.

In its order dated July 10, 1996,^[6] the trial court reconsidered and set aside the order of May 15, 1996 and accordingly, reinstated the complaint and granted Viewmaster's application for a writ of preliminary injunction on a One Million (P1,000,000.00) Pesos injunction bond.

Respondents herein filed a motion for reconsideration to which Viewmaster filed its opposition. However, the motion was denied for lack of sufficient merit in the order dated January 30, 1997.^[7]

On March 5, 1997, the respondents filed a motion for inhibition^[8] of the presiding judge but the same was denied for lack of sufficient merit in the order of April 11, 1997.^[9]

Thereafter, CA-GR SP No. 44000,^[10] a petition for *certiorari* and prohibition with application for a temporary restraining order and/or writ of preliminary injunction was filed with the Court of Appeals.

On November 28, 1997, a decision was rendered by the Court of Appeals, the dispositive portion of which reads as follows:

"WHEREFORE, the petition is hereby GIVEN DUE COURSE and is GRANTED. The challenged orders dated July 10, 1996 and January 30, 1997 denying petitioners' motion to dismiss the complaint in Civil Case No. 65277; and order dated April 11, 1997 denying their motion for inhibition are all SET ASIDE. The complaint is ordered dismissed. Costs against private respondent Viewmaster.

"SO ORDERED."^[11]

A motion for reconsideration was filed by Viewmaster but it was denied in the resolution dated April 21, 1998.^[12]

Hence, this petition.

The grounds adduced for the allowance of the petition are:

A

THE HONORABLE COURT OF APPEALS ERRED IN HOLDING THAT THE COMPLAINT IN CIVIL CASE NO. 65277 DOES NOT STATE A CAUSE OF ACTION.

B

THE HONORABLE COURT OF APPEALS ERRED IN RULING THAT THE AGREEMENT SOUGHT TO BE ENFORCED BY PETITIONER IS SUPPOSEDLY UNENFORCEABLE.

C

THE HONORABLE COURT OF APPEALS ERRED IN HOLDING THAT THE PRESIDING JUDGE OF THE COURT A QUO SHOULD HAVE INHIBITED HIMSELF FROM HEARING CIVIL CASE NO. 65277.

The petition is without merit.

The test of determining the sufficiency of the statements in a complaint as setting forth a cause of action is enunciated in the case of *Fil-Estate Golf and Development, Inc. vs. Court of Appeals*,^[13] to wit:

"In determining whether or not a complaint states a cause of action, only the allegations in the complaint must be considered. Thus, in the recent case of *Navoa v. Court of Appeals* (251 SCRA 545), we held as follows:

` A cause of action is the fact or combination of facts which affords a party a right to judicial interference in his behalf. The requisites for a cause of action are: (a) a right in favor of the plaintiff by whatever means and under whatever law it arises or is created, (b) an obligation on the part of the defendant to respect and not to violate such right; and (c) an act or omission on the part of the defendant constituting a violation of the plaintiff's right or breach of the obligation of the defendant to the plaintiff. Briefly stated, it is the reason why the litigation has come about; it is the act or omission of the defendant resulting in the violation of someone's right.

` In determining the existence of a cause of action, only the statements in the complaint may properly be considered. Lack of cause of action must appear on the face of the complaint and its existence may be determined only by the allegations of the complaint, consideration of other facts being proscribed and any attempt to prove extraneous circumstances not being allowed.

` If a defendant moves to dismiss the complaint on the ground of lack of cause of action, such as what petitioners did in the case at bar, he is regarded as having hypothetically admitted all the averments thereof. **The test of sufficiency of the facts found in a complaint as constituting a cause of action is whether or not admitting the facts alleged the court can render a valid judgment upon the same in accordance with the prayer thereof.** The hypothetical admission extends to the relevant and material facts well pleaded in the complaint and inferences fairly deducible therefrom. Hence, if the allegations in the complaint furnish sufficient basis by which the complaint can be maintained, the same should not be dismissed regardless of the defense that may be assessed by the defendants.'" (Emphasis Ours)

Based on the above, one question need be answered: Was there a cause of action?

We reply in the negative.

Let us consider the following facts: Petitioner Viewmaster agreed to act as the guarantor of Allen Roxas for the loan that the latter needs from FMIC if herein respondent Allen Roxas shall sell fifty percent (50%) of his shareholdings in State Investment and shall undertake a joint venture project with Plaintiff Viewmaster to co-develop the two real estate properties in Quezon City and Las Piñas, and if Roxas shall sell and petitioner Viewmaster shall purchase fifty percent (50%) of the latter's total eventual acquisitions of shares of stock in State Investment. These were not put into writing.