

THIRD DIVISION

[G.R. No. 103073, September 14, 1999]

**REPUBLIC OF THE PHILIPPINES, REPRESENTED BY THE BUREAU
OF CUSTOMS, PETITIONER, VS. THE HONORABLE COURT OF
APPEALS AND R & B SURETY AND INSURANCE, INC.,
RESPONDENT.**

DECISION

PURISIMA, J.:

At bar is a petition for review on certiorari under Rule 45 of the Revised Rules of Court seeking review of the Decision dated November 27 1991 of the Court of Appeals in CA G.R. CV No. 21966.

The facts that matter are as follows:

Endelo Manufacturing Corporation (Endelo) is a domestic corporation engaged in the manufacture of embroidery and apparel articles for export using imported raw materials. Sometime between 1969 and 1970, Endelo imported from Kobe^[1], Keelung^[2] and New York, several bales of raw materials including the items involved in the present controversy, covered by eleven import entry numbers, to wit: Import Entry Nos. 065436, 086162, 096980, 103008, 107811, series of 1969, and Import Entry Nos. 002380, 011983, 022298, 029368, 034975, 035418, series of 1970.

After they were unloaded in the Philippines, the aforementioned materials were deposited in a designated customs bonded warehouse. To release said materials from the customs warehouse, Endelo secured embroidery re-export bonds from the Communications Insurance Company, Inc. (CICI), and R & B Surety Company and Insurance Co., Inc. (R & B Surety). The bonds served to guarantee the payment of duties, taxes and other charges due thereon to the Bureau of Customs should Endelo default in its obligation to re-export the finished goods or the imported materials, in their original state, within the stipulated period from the date of arrival thereof, in compliance with the requirements of Sections 2001 to 2004 of the Tariff and Customs Code and Republic Act No. 3137^[3], as well as the germane rules and regulations issued by the Collector of Customs. The bonds uniformly stipulate that:

"If within two (2) years from the date of arrival of such materials and supplies, or if, at any time within two (2) years from the said date of arrival, or within two and one-half (2-1/2) years or three (3) years if the time is extended by the EMBROIDERY AND APPAREL CONTROL AND INSPECTION BOARD, as provided in Par VIII, Section 4 of Republic Act No. 3137, or by the Commissioner of Customs under Section 1908 of the Tariff and Customs Code of the Philippines, said importation shall be withdrawn pursuant to regulations and exported beyond the limits of the Philippines as finished embroidery and apparel articles or as raw material

in its original state, then this obligation shall be null and void, otherwise to remain in full force and effect, provided, however, that should the performance by the PRINCIPAL of his/its obligation under this Bond becomes impossible by reason of the cancellation or revocation of his/its license or permit for cause and with the notice in and with due notice in writing to the SURETY Company concerned, then the obligation under this Bond shall at once become due and demandable.”

It appears that Endelo’s license to operate was subsequently suspended by the Embroidery and Apparel Control and Inspection Board on the ground of alleged pilferage of the imported materials from the customs warehouse by one Enrique Jocson who, petitioner claims, is a representative of the respondent corporation.

According to Endelo, the suspension of its license resulted in its failure to re-export the imported materials or the finished goods. It was not granted an extension of the period, either by the Embroidery Board, or by the Commissioner of Customs. As a consequence, the Commissioner of Customs sent a letter of demand to Endelo, CICI and R & B Surety, for the payment of the customs duties and taxes due to the Bureau of Customs.

On February 21, 1973, in view of the failure of Endelo, CICI, and R & B Surety to heed its demand, the petitioner commenced below the present case for collection of sum of money against Endelo and CICI on seven of the eleven import entries and against Endelo, CICI and R & B Surety, as defendants, on the other four import entries, praying that the defendants pay, jointly and severally, the obligation under their aforementioned bonds plus legal rate of interest thereon, from the filing of the Complaint.

In its Answer to the Complaint, defendant Endelo theorized that it was not liable under the bonds sued upon because of the suspension by the Embroidery and Apparel Control and Inspection Board of its license to operate. Endelo alleged further that the acts of Enrique Jocson of spiriting out from the customs warehouse the said materials, with the connivance of Eduardo Gatchalian^[4], and of appropriating for himself some of the imported materials, without the knowledge and consent of Endelo, contributed to the failure of the latter to perform its obligation under the said bonds. Endelo also raised as a defense partial importation of the goods and the fact that the Republic did not make any formal demand for the payment of the duties and taxes litigated upon.^[5]

For its part, defendant CICI denied in its Answer any legal obligation to petitioner, and averred a cross-claim against Endelo for alleged unpaid premiums amounting to P600.00, attorney’s fees of P10,000.00, and litigation expenses of P10,000.00.

On the other hand, defendant R & B Surety contended in its Answer that the Complaint states no cause of action and the lower Court has no jurisdiction over the case, arguing that under General Order No. 2-A it is the Military Court which has jurisdiction thereover. R & B Surety likewise filed a cross-claim against Endelo. In answer to the crossclaims, Endelo asserted that subject bonds were not secured by Endelo but by Enrique Jocson himself, without the knowledge and consent of Endelo. The latter also filed a third-party complaint against the third-party defendants, Enrique Jocson and Eduardo Gatchalian.^[6]

After trial, the court a quo came out with a decision adjudging the three defendants liable in all the eleven causes of action, and disposing as follows:

"WHEREFORE, in view of the foregoing, based on the allegations, prayer and evidence adduced, judgment is hereby rendered in favor of plaintiff and against defendants Endelo Manufacturing Corp. (Endelo, in brief), Communications (CICI, for convenience) and R and B Surety Insurance Company, Inc. (R and B, in brief), as follows:

FIRST CAUSE OF ACTION

(a) Ordering defendants Endelo Manufacturing Corporation and CICI to pay plaintiff, jointly and severally the amount of P481,767.00 plus interests at the legal rate of interest from the filing of this complaint until fully paid; and

(b) Ordering the forfeiture of the bonds filed by CICI to wit:

1. CICI C (1S) 210 in the sum of P250,000.00 dated June 13, 1969;
2. CICI C (1S) 211 in the sum of P250,000.00 dated June 13, 1969;
3. CICI C (1S) 217 in the sum of P50,000.00 dated March 7, 1969;
4. CICI C (1S) 218 in the sum of P50,000.00 dated March 7, 1969;
5. CICI C (1S) 382 in the sum of P250,000.00 dated July 2, 1969;

SECOND CAUSE OF ACTION

(a) Ordering defendants Endelo and CICI to pay plaintiff, jointly and severally, the amount of P1,009,521.00 plus interest at the legal rate from the filing of this complaint until fully paid; and

(b) Ordering the forfeiture of the bonds filed by Communications Insurance Company, Inc., to wit:

1. CICI C(18) 94 in the sum of P250,000.00 dated July 6, 1969;
2. CICI C(18) 95 in the sum of P250,000.00 dated July 9, 1969;
3. CICI C(18) 96 in the sum of P250,000.00 dated July 10, 1969;
4. CICI C(18) 97 in the sum of P250,000.00 dated August 14, 1969;
5. CICI C(18) 383 in the sum of P250,000.00 dated July 2, 1969;

THIRD CAUSE OF ACTION

(a) Ordering defendants Endelo and CICI to pay plaintiff, jointly and severally, the amount of P749,132. 00 plus interest at the legal rate from the filing of this complaint until fully paid; and Ordering the forfeiture of the bonds filed by CICI, to wit:

1. CICI C(18) 313 in the sum of P500,000.00 dated September 23, 1969;
2. CICI C(18) 385 in the sum of P250,000.00 dated July 2, 1969;

FOURTH CAUSE OF ACTION

(a) Ordering defendants Endelo and CICI to pay plaintiff, jointly and severally, the amount of P499, 565.00 plus interest at the legal rate from the filing of this complaint until fully paid; and

(b) Ordering the forfeiture of the bonds filed by CICI, to wit:

1. CICI C(18) 515 in the sum of P500,000.00 dated September 24, 1969;
2. CICI C(18) 384 in the sum of P250,000.00 dated July 2, 1969;

FIFTH CAUSE OF ACTION

(a) Ordering defendants Endelo and CICI to pay plaintiff, jointly and severally, the amount of P944,322.00 plus interest at the legal rate from the filing of this complaint until fully paid; and

(b) Ordering the forfeiture of the bonds filed by CICI, to wit:

1. CICI C (18) 315 in the sum of P500,000.00 dated September 24, 1969;
2. CICI C (18) 407 in the sum of P500,000.00 dated November 3, 1969;
3. CICI C (18) 409 in the sum of P500,000.00 dated November 4, 1969;

SIXTH CAUSE OF ACTION

(a) Ordering defendants Endelo and CICI to pay plaintiff, jointly and severally, the amount of P526,704.00 plus interest at the legal rate from the filing of this complaint until fully paid; and

(b) Ordering the forfeiture of the bonds filed by CICI, to wit:

1. CICI C(18) 437 in the sum of P500,000.00 dated January 6, 1970;

2. CICI C(18) 438 in the sum of P500,000.00 dated January 6, 1970;

SEVENTH CAUSE OF ACTION

- (a) Ordering defendants Endelo and CICI to pay plaintiff, jointly and severally, the amount of P321,497.00 plus interest at the legal rate from the filing of this complaint until fully paid; and
- (b) Ordering the forfeiture of the bonds filed by CICI, to wit:
 1. CICI C (18) 438 in the sum of P500,000.00 dated January 6, 1970;

EIGHT CAUSE OF ACTION

- (a) Ordering defendants Endelo and CICI, and R & B Surety and Insurance Company, Inc. (R & B Surety, in Brief), to pay; jointly and severally, plaintiff the amount of P1,515,798.00 plus interest at the legal rate from the filing of this complaint until fully paid; and
- (b) Ordering the forfeiture of the bonds filed by CICI and R and B Surety, to wit:
 1. CICI C(18) 500 in the sum of P500,000.00 dated February 24, 1970;
 2. CICI C(18) 441 in the sum of P500,000.00 dated January 6, 1970
 3. CICI C(18) 438 in the sum of P500,000.00 dated January 6, 1970;
 4. R and B Surety C(19) 0064 in the sum of P500,000.00 dated February 20, 1970;

NINTH CAUSE OF ACTION

- (a) Ordering defendants Endelo CICI, and R & B Surety to pay plaintiff, jointly and severally, the amount of P662,961.00 plus interest at the legal rate from the filing of this complaint until fully paid; and
- (b) Ordering the forfeiture of the bonds filed by CICI and R and B Surety, to wit:
 1. CICI C(18) 443 in the sum of P500,000.00 dated January 7, 1970;
 2. R and B Surety C(19) 0067 in the sum of P500,000.00 dated March 18, 1970 increased to P1,000.00 as Bond indorsement dated April 29, 1970;

TENTH CAUSE OF ACTION

- (a) Ordering defendants Endelo CICI, and R & B Surety to pay