

THIRD DIVISION

[CA-G.R. CV NO. 97592, March 14, 2014]

**FABRIANO SOCIETA PER AZIONI, INC., PLAINTIFF-APPELLEE,
VS. SECONDS TO GO AND MICHAEL DAUDEN, DEFENDANTS-
APPELLANTS.**

D E C I S I O N

DE GUIA-SALVADOR, R., J.:

The propriety of judgment on the pleadings is at issue in this appeal from the Order dated May 11, 2011 issued by the Regional Trial Court of Pasig City, Branch 166 (**RTC**), in Civil Case No. 71783,^[1] the dispositive portion of which states:

"WHEREFORE, foregoing considered, the motion for judgment on the pleadings is hereby granted, for being well taken.

Accordingly, based on the pleadings submitted by the parties, the Court hereby renders judgment in favor of the plaintiff and against defendants.

The defendants are directed to:

1. Pay the plaintiff the principal obligation in the amount of Three Hundred Twelve Thousand Two Hundred Thirty Nine (Php1,312,239.00) Pesos plus twelve (12%) percent legal interest from the time judicial demand to pay was made on August 28, 2008 until the obligation shall be paid in full;
2. Pay the plaintiff attorney's fees in the amount of One Hundred Thousand (Php100,000.00) Pesos; and
3. Cost of suit.

SO ORDERED."^[2]

The Facts

On August 28, 2008, **appellee** Fabriano Societa Per Azioni, Inc. commenced the instant suit with the filing of its complaint for collection of a sum of money and damages against **appellants** Seconds To Go and its Owner/General Manager, Michael Dauden. Claiming to be engaged in the business of manufacturing, assembling and selling brand new and imported appliances and kitchenware, appellee alleged, among other matters, that in the years 1999, 2000, 2001 and 2002, it entered into contracts for the delivery of merchandise to appellants for the latter to sell on commission or profit gained from sales over the suggested retail price thereof. As a consequence of said agreements, appellee supposedly delivered in favor of appellants merchandise with an aggregate value of P1,671,260.00,^[3] as

evidenced by the invoices and receipts attached to the complaint as Annexes "C" to "TT"^[4] and the delivery receipts additionally identified as Annexes "UU" to "YYY".^[5]

Appellee further alleged that, out of said deliveries, appellants made several payments amounting to P359,021.00, thereby leaving a balance in the sum P1,312,239.00. Despite receipt of the three demand letters appellee sent,^[6] appellants were supposed to have unjustifiably failed and/or refused to pay the same balance.^[7] In addition, appellee alleged that it was authorized to file the complaint by Asian Durables Manufacturing, Inc. (**ADMI**), another corporation with whom appellants appear to have had several dealings similar to those they made with appellee. As may be gleaned from the attachments to the complaint as aforesaid, the merchandise covered by the invoices and receipts identified as Annexes "C" to "TT"^[8] appears to have been owned by ADMI which, as a consequence, issued in favor of appellee the authorization to file action which it appended to the initiatory pleading as Annex "A".^[9]

Served with summons, appellants filed a motion to dismiss on the ground that appellee's complaint failed to state a cause of action. In support of the motion, appellants called the attention of the RTC to the fact, among other matters, that the goods covered by Annexes "C" to "TT" were owned by ADMI and not the appellee.^[10] With the denial of their motion to dismiss in the RTC's Order dated May 8, 2009,^[11] appellants filed their unverified answer reiterating their position that appellee had no cause of action against them. "Without need of disputing the veracity of the otherwise concocted and/or verifiably false allegations in the complaint," appellants asseverated that Annexes "C" to "TT" clearly showed that appellee was not the owner of the goods thereby covered and, for said reason, was not a real party in interest to the action.^[12]

On April 12, 2010, the RTC issued an order setting the case for pre-trial conference at 1:00 o'clock in the afternoon of July 1, 2010.^[13] Before said scheduled setting, however, appellee filed a motion for judgment on the pleadings on the ground that appellants' answer failed to tender an issue and effectively admitted the transactions sued upon.^[14] Over the opposition thereto interposed by appellants,^[15] appellee's motion was granted in the RTC's herein appealed Order dated May 11, 2011. Finding that the genuineness and due execution of the actionable documents attached to the complaint were deemed admitted for failure of appellants to specifically deny the same under oath,^[16] the RTC also ruled as follows:

"In [their] Special and Affirmative defences incorporated in the Answer, defendants countered that plaintiff has no cause of action against them, since the plaintiff is not a real party in interest in this case. Defendants aver that the seller in all the transactions mentioned in the complaint is Asian Durables Manufacturing, Inc. and not plaintiff Fabriano Societa Per Azioni, Inc. In support of these arguments, defendants cited the provisions of Sec. 2, Rule 3, Rules of Court and Article 1311 of the Civil Code, which is the principle of relativity of contract.

The Court does not agree with the arguments of the defendant. Records show that Asian Durables, Inc. through Mary L. Chan, [its] Corporate Secretary, executed a Special Power of Attorney naming, constituting and appointing ERESTO G. SEVENCruz, Credit and Collection Department of

the plaintiff, as its representative in filing the complaint against the defendants. Thus, by the said authority plaintiff became a real party in interest."^[17]

Appellant's motion for reconsideration^[18] of the foregoing decision was denied for lack of merit in the RTC's Order dated September 1, 2011,¹⁹ hence, this appeal.

The Issues

Appellants urge the reversal of the appealed order upon the following errors imputed against the RTC, to wit:

"A. THE COURT A QUO ERRED IN GRANTING THE [APPELLEE'S] MOTION FOR JUDGMENT ON THE PLEADINGS CONSIDERING THAT [APPELLANTS'] ANSWER SPECIFICALLY AND CATEGORICALLY DISPUTED AND/OR CONTROVERTED ALL OF THE [APPELLEE'S] CLAIMS AS SET FORTH IN THE COMPLAINT.

B. THE COURT A QUO ERRED IN DENYING THE [APPELLANTS'] MOTION TO DISMISS THE COMPLAINT SINCE, ON ITS FACE, THE SAME DOES NOT STATE A CAUSE OF ACTION AGAINST ANY OR BOTH [APPELLANTS]."^[20]

The Court's Ruling

The appeal is devoid of merit.

One of the ways by which the rules allow the speedy disposition of a case by dispensing a full-blown trial of the case,^[21] judgment on the pleadings may be rendered pursuant to Section 1, Rule 134 of the *Rules of Court*^[22] only when an answer fails to tender an issue or otherwise admits the allegations of the adverse party's pleading.^[23] An answer is, in turn, said to fail to tender an issue when it (1) fails to deny the material allegations of the complaint, or (2) admits the material allegations by confessing the truthfulness thereof, or (3) omitting to deal with the material allegations at all.^[24] The rule is settled that judgment on the pleadings is based exclusively upon the allegations appearing in the pleadings of the parties and the annexes, if any, without consideration of any evidence aliunde.^[25]

Our perusal of the record shows that the RTC did not err in granting appellee's motion for judgment on the pleadings. With the denial of their motion to dismiss in the RTC's May 8, 2009 Order, appellants filed an unverified answer which merely reiterated their position that appellant is not the owner of the goods covered by the invoices and receipts appended to the complaint as Annexes "C" to "TT". Contrary to the manner provided under Section 10,^[26] Rule 8 of the *Rules of Court*, therefore, appellants' answer failed to specifically deny the material allegations relating to the delivery receipts appended to the complaint as Annexes "UU" to "YYY". Because failure to make a denial in accordance with the modes of denial is equivalent to a failure to tender an issue, it stands to reason that the material allegations of the complaint are admitted and the court may render a judgment on the pleadings,^[27] at least insofar as said delivery receipts are concerned.

The purpose of requiring a defendant to make a specific denial is to make him disclose the matters alleged in the complaint which he succinctly intends to disprove

at the trial, together with the matter which he relies upon to support the denial.^[28] Since a denial does not become "specific" merely because it is qualified by said word, specifically denying the allegations in the complaint without further particulars is a general denial and does not sufficiently comply with the rule on specific denial. Similarly, a denial for lack of knowledge of thing that, by their nature, ought to be known to defendant is not an acceptable denial.^[29] Not having been controverted by a specific denial, the material allegations pertaining to the deliveries covered by Annexes "UU" to "YYY" are deemed admitted to be true for the purpose of the action, except as to the amount of unliquidated damages.^[30]

In filing an unverified answer to a complaint anchored on actionable document, appellants are, moreover, deemed to have admitted the genuineness and due execution not only of the delivery receipts marked as Annexes "UU" to "YYY" but also the invoices and receipts identified as Annexes "C" to "TT". Pursuant to Section 8, Rule 8 of the *Rules of Court*,^[31] a pleading which denies the material allegations of a pleading anchored on actionable documents should be verified, otherwise the genuineness and due execution thereof are deemed admitted. A pleading is verified by an affidavit that the affiant has read the same and that the allegations therein are true and correct of his personal knowledge or based on authentic records.^[32] This is intended to enable the adverse party to know whether or not, during the trial of the case, he will be called on to meet an issue on the genuineness or due execution of the contract or other document which constitutes the subject of the action or defense.^[33]

To put in issue the execution and genuineness of an actionable document, the denial must be under oath, i.e., the opposing party must declare under oath that he did not sign the document or that it is otherwise false or fabricated.^[34] Considering that the answer they filed was not verified, appellants are deemed to have admitted the genuineness and due execution of the actionable documents annexed to the complaint. When said facts are deemed admitted, the party whose signature appears on the document admits, among other matters, that "he voluntarily signed the same or it was signed by another for him and with his authority." He also thereby acknowledges that "at the time it was signed it was in words and figures exactly set out in the pleadings of the party relying upon it."^[35]

In both their motion to dismiss and answer, appellants have, of course, consistently taken issue over the fact that appellee is not a real party in interest with respect to the invoices and receipts designated as Annexes "C" to "TT" since they were issued to them by ADMI. Concededly, the rules unequivocally mandate that every action must be prosecuted or defended by the real party in interest, who is understood to be the party who stands to be benefitted or injured by the judgment in the suit or the party entitled to the avails thereof.^[36] Interest within the meaning of this requirement means material interest or interest in issue to be affected by the decree or judgment of the case, as distinguished from mere curiosity about the question involved.^[37] Thus, in an action upon a contract, the real parties in interest, either as plaintiff or defendant, are the parties thereto^[38] - a fact which, on the surface, cannot be said of appellee insofar as Annexes "C" to "TT" are concerned.

While it is true that appellee had been issued an authorization by ADMI for the purpose of instituting a suit for collection relative to said invoices and receipts, appellants correctly argue that the former is not a real party in interest in respect