

## SPECIAL NINETEENTH DIVISION

[ CA-G.R. CV. NO. 00518, June 20, 2014 ]

**LETECIA ESPINOSA, PLAINTIFF-APPELLANT, VS. MERCEDES  
NAVA, DEFENDANT-APPELLEE.**

### D E C I S I O N

**LAGURA-YAP, J.:**

The present appeal seeks to nullify the June 14, 2004 *Decision*<sup>[2]</sup> rendered by Regional Trial Court, Branch 23, Iloilo City (RTC) in Civil Case No. 21511 for Annulment of Contract, Declaratory Relief, Interpleader and Damages.

### THE FACTS

According to Appellant<sup>[3]</sup>

Sometime in July 1993, appellant Espinosa went to appellee Nava's house to borrow P30,000.00 from Melanie Batislaong, who together with Nava, are engaged in the lending business. As a condition, Espinosa was made to sign four blank documents, including the trust receipt,<sup>[4]</sup> which supposedly look like this:

RECEIVED from \_\_\_\_\_, the following items to wit:

1. \_\_\_\_\_ P \_\_\_\_\_
2. \_\_\_\_\_ P \_\_\_\_\_
3. \_\_\_\_\_ P \_\_\_\_\_
4. \_\_\_\_\_ P \_\_\_\_\_
5. \_\_\_\_\_ P \_\_\_\_\_
6. \_\_\_\_\_ P \_\_\_\_\_
7. \_\_\_\_\_ P \_\_\_\_\_

T O T A L \_\_\_\_\_

It is hereby understood that the above-described items were entrusted to me by \_\_\_\_\_ for sale to other third persons within \_\_\_\_\_ days from date with the obligation to return the said items to \_\_\_\_\_ in case no sale is made, within 5 days.

IN WITNESS WHEREOF, I have hereunto set my signature this

\_\_\_\_\_ of \_\_\_\_\_ 199\_\_\_\_ at Iloilo City, Philippines.

(Signed)  
Leticia Espinosa  
21-A de la Rama St.,  
Iloilo City

Signed in the presence of:

\_\_\_\_\_  
\_\_\_\_\_

SUBSCRIBED AND SWORN to before me this \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_ in the City of Iloilo, Philippines. Affiant exhibited to me his/her residence certificate No. \_\_\_\_\_, issued on \_\_\_\_\_ at \_\_\_\_\_, Philippines.

Espinosa was also made to issue twelve post-dated checks with Batislaong as payee. Four checks were encashed by Nava on their due dates. Later, Nava and Batislaong had a falling out. Batislaong ordered the drawee bank not to accept the eight remaining post-dated checks for encashment. Meanwhile, Nava asked Espinosa to make her (Nava) as payee of the remaining eight checks. Espinosa did not agree. This did not sit well on Nava, thus, she filed a criminal case for estafa, with the blank trust receipt as basis. Nava falsified it to make it appear that Espinosa received from her assorted jewelries amounting to about P1,200,000.00.

According to Appellee<sup>[5]</sup>

Nava denied giving Espinosa a loan amounting to P30,000.00. She is not privy to the transaction that Espinosa entered into with Batislaong. She and Espinosa had a different transaction which was the sale of jewelries.

On July 29, 1993, Espinosa went to Nava bringing with her a lady's ring. Espinosa wanted Nava, the former's financier in her jewelry business, to finance or "buy" the ring so that it can be sold again at a profit. Nava agreed; she issued a check amounting to P260,000.00 to Espinosa, who in turn gave her the lady's ring.

On July 30, 1993, Espinosa again returned to Nava, this time getting eight pieces of assorted jewelries worth P1,335,000.00. The jewelries will be supposedly sold within three days, and returned within the same time if unsold. As evidence, Nava made Espinosa sign a handwritten receipt (Exhibit "9"),<sup>[6]</sup> which states:

July 30, 2014

Received from Mercedes Nava, the following jewelries:

Assorted jewelry 22 K gold  
1.240 grams at P500.00/grms    P 120,000.00  
worth

2. One lady's ring emerald cut    P 280,000.00

brill solo 2.5 karat worth	
3. One set ring & earring marquez w/ 3 pcs solo diamond stone more or less 65 points each stone worth	P 150,000.00
4. One lady's ring solo round cut brill. 85 points worth	P 60,000.00
5. One set ring & earring rositas style w/ 21 pcs diamond stone more or less 25 points up each stones worth	P 65,000.00
6. One men's ring round cut brill. 4.5 karat worth	P 500,000.00
7. One bracelet brill with 35 stone tennies style worth	P 60,000.00
8. One set ring & earring pearl with 45 stones more or less 1.5 karat worth	P 100,000.00
T O T A L P1,335,000.00	

to be sold or to be returned if not sold within 3 days.

(Signed)

Letecia L. Espinosa  
21-A de la Rama St.

After three days, on August 3, 1993, Espinosa returned to Nava two jewelries,<sup>[7]</sup> while retaining the six others. Espinosa told Nava that the six items will be sold but she needed sixty more days because her (Espinosa's) prospective buyer, her balikbayan friend, will bring it abroad. Nava did not inquire as to the identity of Espinosa's friend. At first, Nava was apprehensive to entrust Espinosa the jewelries for a much longer period since her usual transaction with Espinosa involved only amounts up to P100,000.00, but she eventually acceded to the latter's proposal. To protect herself, Nava had Espinosa sign the subject trust receipt (Exhibit "8").<sup>[8]</sup> It reads:

RECEIVED from MERCEDES NAVA the following items to wit:

- Assorted jewelry 22 K gold  
1. 240 grams at P500.00/grms P 120,000.00  
worth
2. One lady's ring emerald cut  
brill solo 2.5 karat worth P 280,000.00
3. One lady's ring solo round cut  
brill. 85 points worth P 60,000.00

4. One men's ring round cut  
brill. 4.5 karat worth P 500,000.00
5. One bracelet brill with 35  
stone tenies style worth P 60,000.00
6. One set ring & earring pearl  
with 45 stones more P  
100,000.00 set or less 1.5  
karat worth P 100,000.00

T O T A L P  
1,120,000.00

It is hereby understood that the above-described items were entrusted to me by MERCEDES NAVA for sale to other third persons within 60 days from date with the obligation to return the said items to MERCEDES NAVA in case no sale is made, within 5 days.

IN WITNESS WHEREOF, I have hereunto set my signature this 3<sup>rd</sup> day of August 1998 at Iloilo City, Philippines.

(Signed)  
Leticia Espinosa  
21-A de la Rama St.,  
Iloilo City

Signed in the presence of:

(SIGNED)  
FLOR BABILLON

(SIGNED).

SUBSCRIBED AND SWORN to before me this 3<sup>rd</sup> day of August, 1998 in the City of Iloilo, Philippines. Affiant exhibited to me his/her residence certificate No. 10044705 issued on March 15, 1993 at Iloilo City, Philippines.

(Signed)  
SANTOS B. AGUADERA  
Notary Public  
until DECEMBER 31, 1993  
PTR NO. 9214485  
ISSUED AT ILOILO CITY  
ISSUED ON 1-11-93

Lina Aguero and Flor Pavillon, Nava's employees acted as witnesses to the document. Nava wanted a certain Atty. Acebuque, her retainer, to notarize it but since he was not around, he asked Atty. Santos Aguadera instead. Atty. Aguadera went to Nava's house where he notarized the document in the presence of Nava,

Espinosa and the rest of the witnesses.

After two months, Nava called Espinosa for an update on their transaction but the latter asked for more time. Subsequent demands by Nava, both verbal and written, for the delivery of the proceeds of the sale and/or return of the jewelries proved unsuccessful. Thus, she filed the criminal complaint for estafa against Espinosa.

### THE CASE

On December 6, 1993, Espinosa filed the *Complaint*<sup>[9]</sup> against Nava and Batislaong. She prayed that Nava and Batislaong interplead against each other because the two have been demanding from her, payments for the undeposited post-dated checks. She also prayed that the trust receipt be declared null and void, and that the transaction between Nava and Batislaong be declared as a loan.

On January 26, 1994, Nava filed her *Answer*.<sup>[10]</sup> She denies any involvement to the loan which Espinosa obtained from Batislaong. She also insisted that the trust receipt was valid having been voluntarily signed by Espinosa when she received the assorted jewelries.

On March 14, 1994, Espinosa filed the *Amended Complaint*.<sup>[11]</sup> She added as cause of action, the fact that sometime in July or August, 1993 and, again, in September, 1993, Nava issued checks amounting to P260,000.00 and P60,000.00, respectively, which was dishonored for insufficiency of funds.

Records show that Nava did not file an answer to the amended complaint, thus, the RTC treated the answer to the original complaint as the answer to the former.<sup>[12]</sup>

Meanwhile, Batislaong was declared in default for failure to file an answer within the reglementary period.

During pre-trial the following issues were agreed upon:

1. Whether or not the plaintiff has received jewelries from defendant Nava in the amount of P1,120,000.00?
2. Whether or not the Trust Receipt attached as Annex "A"<sup>[13]</sup> of the complaint was duly executed by plaintiff Espinosa?
3. To whom did plaintiff Espinosa obtain a loan of P30,000.00?
4. Whether or not the trust receipt signed by the plaintiff in favor of defendant reflects the true and genuine transaction of the parties?
5. Whether or not the parties are entitled to damages?<sup>[14]</sup>

Trial ensued.

On June 14, 2004, the RTC issued the assailed Decision the dispositive portion of which reads: