

NINETEENTH DIVISION

[CA-G.R. CV No. 03608, July 31, 2014]

**SEVEN GOLDEN JEWELS HOLDING CO. INC, REPRESENTED BY
EVELYN HISOLER AND RAUL G. RISOS, PLAINTIFF-APPELLANT,
VS. CECILIA REINA M. GONZALVEZ AND SPS. MANUEL AND
ARACELI DE VEYRA, DEFENDANTS-APPELLEES.**

D E C I S I O N

LAGURA-YAP, J.:

This appeal^{*} seeks to reverse or set aside the Order^[1] dated March 9, 2010 and the Order^[2] dated June 2, 2010 rendered by the Regional Trial Court (RTC), Branch 56, Mandaue City. In its Decision, the RTC ruled in favor of defendants-appellees and found herein plaintiff-appellant liable to pay defendants-appellees the sum of six hundred thousand pesos (Php 600,000) plus interest. Plaintiff-appellant then filed a Motion for Reconsideration^[3] dated April 5, 2010 but it was denied on June 2, 2010, hence this appeal.

The factual antecedents:

The instant case stemmed from a Complaint^[4] dated December 17, 2010 filed by plaintiff Seven Golden Jewels Holding Co., Inc., (represented by Evelyn Hisoler and Raul Risos) for breach of contract and damages with prayer for Temporary Restraining Order and Writ of Preliminary Injunction against defendants Cecilia Reina M. Gonzalvez and spouses Manuel and Araceli de Veyra, before the RTC, Branch 56, of Mandaue City.

Plaintiff is the owner of Isla Bella Beach Club International, a club which provides its members certain coupons that allow them to enjoy hotel accommodations and special tie-ups in the Philippines and in other destinations worldwide. A non-refundable sum of two hundred thousand pesos (Php 200,000.00) as membership fee is required.^[5]

Plaintiff avers that it engaged the services of defendants Manuel and Araceli de Veyra (de Veyras) as their agents. Defendants agreed to recruit or enlist members and sell membership certificates for Isla Bella Beach Club for a commission ranging from five to fifteen percent (5 to 15%) of the membership fee.

On August 11, 2000, the defendant spouses organized a party in Bais City to attract and recruit potential members. The de Veyras were able to convince their co-defendant Cecilia Gonzalvez (Gonzalvez) to become a member and agent of plaintiff corporation. In turn, Gonzalvez, as a sub-agent, recruited five of her relatives to enlist as members, who paid in cash and check in the amount of six hundred thousand pesos (Php 600,000.00).

However, plaintiff corporation alleges that only four hundred thousand pesos (PhP 400,000.00) was remitted by the defendants. Despite repeated demands, defendants refused to turn over the entire amount. Defendants also unilaterally terminated the contract of agency, and thereafter engaged in a smear campaign directed against the goodwill of the corporation. Defendants conspired in destroying the name of the corporation by spreading stories that it is a hoax and a scam. Further, defendants induced other members to stop selling club membership. Because of defendants' acts, the relatives of Gonzalez whom she recruited withdrew their membership. Likewise, other members followed and severed their membership with plaintiff corporation.^[6] It is for the reasons stated above that plaintiff corporation was constrained to file a case for breach of contract and for abuse of rights under Article 19 of the Civil Code against the defendants.

On November 29, 2000, defendants filed an Answer with Counterclaim^[7] substantially refuting all of plaintiff's material allegations.

Defendant Gonzalez avers that it was a horrendous mistake on her part when she immediately enlisted as a member and agent of plaintiff corporation without having first investigated the company.^[8] It was only after she became a member when she received reports that people at Seven Golden Jewels have misrepresented themselves, prompting her to hire an independent credit investigator.

For their part, defendants de Veyras joined plaintiff corporation sometime in June of 2000, believing in its potential for marketing membership sales. However, they started to have serious doubts on the company when they learned that there were numerous deductions on Gonzalez's share. They resigned with their co-defendant Gonzalez when the latter informed them that she hired a credit investigator to look into the anomalous reports she gathered.

Gonzalez' decision to stop her co-defendants (spouses de Veyra) from completing their membership application with plaintiff corporation was prompted by the negative report submitted by her private investigator. These findings, among others, include the following: (1) defective and/or incomplete documentation of collaterals submitted to JR Consultancy Services; (2) letter of Noel Dela Paz addressed to plaintiff's financial consultant, dated March 15, 2000, calling plaintiff's attention to its misleading and unauthorized use of Newgate Management Inc., with respect to its marketing materials; (3) reluctance to comply with project site visit to the development of plaintiff's theme park resort; and (4) sale of membership shares without permit from the Securities and Exchange Commission (SEC).^[9]

Defendants counter that it is plaintiff corporation that is liable to them in the amount of six hundred thousand pesos (PhP 600,000.00) as refund for the membership fees which they paid in advance. Despite repeated demands,^{[10][11]} plaintiff corporation failed to make a refund of the said amount.

Further, defendants never spoke to anyone regarding plaintiff's business, hence it is ridiculous for plaintiff to accuse them of engaging in a smear campaign to destroy the corporation's reputation.

In their Answer with Counterclaim, defendants impleaded the officers of plaintiff-

corporation, namely: Evelyn Hisoler, president, Raul Risos, EVP Marketing and Sales, Mari Risos, EVP Personnel and Administration, and Teresita Gambito, sales director, for conspiring and confederating in defrauding them.

In its Order^[12] dated December 20, 2000, the RTC granted plaintiff's prayer for a Writ of Preliminary Injunction, enjoining the defendants or their agents to cease and desist from destroying the name of plaintiff, and from inducing any of its members to withdraw their membership and violate the club membership purchase agreement, among others.

Defendants filed a Motion for Reconsideration^[13] of the above Order on January 13, 2001, but the said Motion was denied for lack of merit on April 23, 2001.^[14]

After submission of the parties' respective Pre-trial Briefs, Pre-trial was conducted on November 13, 2002 and a Pre-trial Order was issued on the same date.^[15]

In a sudden turn of events, plaintiff's counsel moved for the dismissal of the case on June 23, 2004, manifesting in open court that its client, plaintiff corporation, is no longer legally existing because its franchise had been disapproved by the Securities and Exchange Commission (SEC). Defendants' counsel did not interpose any objection, so the case was ordered dismissed on the same date.^[16] The Order itself stated that Atty. Ortiz (defendant's counsel) has no objection and he is not pursuing his counterclaim or attorney's fees.

After reading the said Order and perhaps, after realizing that it served them no good, defendants filed a Comment of Order^[17] dated July 16, 2004 stating that while they have no objection to the dismissal, they are not waiving their counterclaim against plaintiff's officers, particularly for the return of six hundred thousand pesos (PhP 600,000.00).

Defendants filed a Manifestation with Motion to Set Counterclaim for Hearing, but when the case was set for hearing on April 15, 2005, plaintiff's representatives and their counsel failed to appear and defendants' counsel arrived late. Thus, the case was ordered dismissed for lack of interest.^[18]

Defendants' counsel filed a timely Motion^[19] on the said Order. The RTC found defendants' reason sufficient, so it issued an Order^[20] setting the case for hearing on April 26, 2006. In its Order^[21] dated November 10, 2006, the RTC upheld defendants' right to prosecute their counterclaim despite the fact that plaintiff corporation's franchise was ordered revoked by the SEC.

Thereafter, trial on the counterclaim ensued.

On April 11, 2007, one of the defendants-appellees, Manuel Veyra, testified in court. Plaintiffs and their counsel did not appear despite due notice, thus cross-examination of Manuel de Veyra was deemed waived. In its Order^[22] issued on the same date, the RTC admitted all the exhibits presented and deemed the case submitted for decision.

On May 28, 2007, plaintiff filed a Motion for Reconsideration^[23] of the April 11, 2007 Order but it was denied on August 7, 2007.^[24]

On November 28, 2007, the RTC issued an Order^[25] finding plaintiff and its officers liable, the dispositive portion of which reads:

WHEREFORE, foregoing premises considered, Plaintiff's officers, Evelyn Hisoler, Raul Risos, Mari Risos and Teresita Gambito are hereby declared jointly and solidarily liable and ordered, as such, to refund Cecilia Reina Gonzalvez and her relatives the sum of four hundred thousand pesos (Php 400,000.00) with interest at twelve percent (12%) per annum from September 2000 until fully paid.

SO ORDERED.

Plaintiff filed a Motion for Reconsideration^[26] of the said Decision/Order reiterating the same grounds used in previous motions for reconsideration, which naturally yielded the same result.

For their part, defendants filed a Motion to Correct Manifest Error in Decision^[27], praying that the award be increased from four hundred thousand pesos (Php 400,000.00) to six hundred thousand pesos (Php 600,000.00), citing the clerical omission of Annex C in Defendants' Counterclaim, despite the fact that three machine copies of the official receipts were offered in Defendants' Exhibits in the counterclaim.

On March 9, 2010, the RTC issued an Order^[28] granting defendants' Motion to Correct Manifest Error in Decision, and its Order dated November 28, 2007 was amended, increasing the award from four hundred thousand pesos (Php 400,000.00) to six hundred thousand pesos (Php 600,000.00).

Plaintiff filed another Motion for Reconsideration, this time on the March 9, 2010 Order, but it was denied in the June 2, 2010 Order.^[29] To these Orders, plaintiff filed a Notice of Appeal^[30]. The following are the errors assigned in the Appellant's Brief:

- I. WHETHER OR NOT THE LOWER COURT ERRED IN GIVING DUE COURSE TO THE COUNTERCLAIMS WHEN APPELLEES WERE BARRED BY ESTOPPEL WHEN THEY AGREED TO DISMISS THEIR COUNTERCLAIMS.
- II. WHETHER OR NOT THE LOWER COURT ERRED IN GIVING DUE COURSE TO THE COUNTERCLAIM WHEN THE MAIN CASE HAS BEEN DISMISSED AND THE DISMISSAL HAS ALREADY BECOME FINAL.
- III. WHETHER OR NOT THE LOWER COURT ERRED IN GIVING DUE COURSE TO THE COUNTERCLAIM WHEN THE MOTION WAS DEFECTIVE.
- IV. WHETHER OR NOT THE LOWER COURT ERRED IN GIVING DUE COURSE TO THE COUNTERCLAIMS WHEN IT HAS NOT ACQUIRED

JURISDICTION BY NON-PAYMENT OF DOCKET FEE.

- V. WHETHER OR NOT THE LOWER ERRED IN GIVING DUE COURSE TO THE COUNTERCLAIMS WHEN ON APRIL 15, 2005 THE CASE WAS DISMISSED AND THE DISMISSAL HAS ALREADY BECOME FINAL AND WHEN THE MOTION TO REINSTATE IT OR RECONSIDERATION WAS DEFECTIVE.
- VI. WHETHER OR NOT THE LOWER COURT ERRED IN RENDERING THE DECISION DATED NOVEMBER 28, 2007 WHEN NO EVIDENCES WERE OFFERED IN ACCORDANCE WITH THE RULES OF COURT.
- VII. WHETHER OR NOT THE LOWER COURT ERRED IN RENDERING THE ORDER DATED MARCH 9, 2010 AMENDING THE ORDER NOVEMBER 28, 2007.
- VIII. WHETHER OR NOT THE LOWER COURT ERRED IN HOLDING THAT THE CASE WAS DISMISSED FOR FAILURE TO PROSECUTE.
- IX. WHETHER OR NOT THE LOWER COURT ERRED IN GIVING DUE COURSE TO THE COUNTERCLAIMS AGAINST THE OFFICERS OF DEFENDANT CORPORATION AND IN ISSUING THE TWO (2) ORDERS.

The Ruling of This Court

At the outset, it must be emphasized that the present appeal is procedurally defective since the Appellant's Brief also prayed for the reversal of the Order dated November 28, 2007. The said Order has already been assailed and superseded in the proceedings before the trial court. The Appellant's Brief should have assailed the June 2, 2010 Order which denied their Motion for Reconsideration of the Order dated March 9, 2010, as was stated in the Notice of Appeal. Nevertheless, in the interest of substantial justice, We brush aside technicalities of procedure and proceed to discuss the merits of this case.

On the **first issue**, We rule that defendants are not barred by estoppel when they did not object to the dismissal initiated by plaintiff corporation's counsel.

The equitable doctrine of estoppel was explained by the Supreme Court in ***Caltex (Philippines), Inc. v. Court of Appeals***^[31]:

Under the doctrine of estoppel, an admission or representation is rendered conclusive upon the person making it, and cannot be denied or disproved as against the person relying thereon. A party may not go back on his own acts and representations to the prejudice of the other party who relied upon them. In the law of evidence, whenever a party has, by his own declaration, act, or omission, intentionally and deliberately led another to believe a particular thing true, to act upon such belief, he cannot, in any litigation arising out of such declaration, act, or omission, be permitted to falsify it.