

FOURH DIVISION

[CA-G.R. CV NO. 85567, August 30, 2006]

**SHARP (PHILS.) CORPORATION, PLAINTIFF- APPELLEE, VS.
CECILIO M. MAALA, DOING BUSINESS UNDER THE NAME AND
STYLE "UNIVERSAL APPLIANCE", DEFENDANT-APPELLANT.**

D E C I S I O N

BARRIOS, J.:

This is an appeal from the decision dated April 12, 2005 rendered by the Regional Trial Court of Muntinlupa City, Branch 256, in a case filed by the appellee Sharp (Phils.) Corporation (or Sharp for brevity) against the appellant Cecilio M. Maala (or Maala) who does business under the name and style of Universal Appliance.

Maala purchased on credit from Sharp various home appliances which amounted to P1,200,926.00. The first set of deliveries was between the period of November 30, 1993 to May 31, 1994 and the total value of the goods delivered by Sharp to Maala was P841,826.00. The second batch of purchases was from October 30, 1994 to December 31, 1994 worth P359,100.00. It was a condition agreed upon by the parties that said credits will be paid within 30 days from the date of invoice and/or actual delivery. Maala then issued twenty-eight (28) post dated Dagupan City Rural Bank (or DCRB) checks amounting to P841,826.00 in favor of Sharp to cover payments of the appliances delivered during the first transaction period. For the second transaction period, Maala issued sixteen (16) post dated China Bank checks amounting to P359,100.00.

The China Bank checks were cleared and credited to the account of Sharp. The devil was with the DCRB checks which were all deposited by Sharp with its depository Far East Bank and Trust Company (or FEBTC). These were cleared by the Central Bank but were not credited to the account of Sharp for the reason given that DCRB was in an "unhealthy financial condition" (Decision, par. 2, p. 267, record).

Since the value of the checks were not credited to its account, Sharp made demands on Maala for the payment of these checks. Maala in turn demanded for DCRB to remit the value of the checks to FEBTC (p. 106, record). DCRB thru its manager communicated to FEBTC stating that *the amount of the checks will be raised very soon in their effort of selling unissued shares of stock* (p. 108, record). From then on a series of correspondence were made by and among Sharp, Maala, FEBTC and DCRB (Exhs. "E" to "J", pp. 111 to 117, record), but at the end of the day these DCRB checks were never credited to Sharp's account, except for two.

And so Sharp filed the instant suit on August 10, 1999, and on April 12, 2005 the court *a quo* rendered judgment in its favor disposing that:

WHEREFORE, in view of the foregoing, judgment is hereby rendered in favor of plaintiff SHARP (PHILS.) CORPORATION and as against herein defendant CECILIO M. MAALA, doing business under the trade name and style 'UNIVERSAL APPLIANCE', ordering the latter the following:

- 1) TO PAY plaintiff the amount of P841,826.00 less the amount of two (2) checks which has already been cleared and credited to the account of herein plaintiff on August 14, 1994 based on the letter of FEBTC to herein plaintiff dated September 23, 1994 (Exh. "F") plus an interest rate of 12% per annum based upon the amount as aforementioned after computing the specific deductions therefrom;
- 2) TO PAY plaintiff the amount of P2,000.00 as attorney's fees corresponding to counsel's appearance during the trial; and
- 3) TO PAY the costs of suit. (p. 270, record)

Insisting that he was free from the obligation to pay Sharp the value of the checks already cleared by the Central Bank, Maala came to Us on appeal assigning that the following errors were committed by the court *a quo*:

I. THE LOWER COURT ERRED IN HOLDING THAT APPELLANT'S CHECKS DRAWN AGAINST HIS CURRENT ACCOUNT DEPOSIT WITH THE DRAWEE BANK, DAGUPAN CITY RURAL BANK WERE DISHONORED.

II. THE LOWER COURT ERRED IN NOT HOLDING THAT APPELLANT HAD FULLY PAID HIS PURCHASES ON CREDIT --- ALL HIS CHECKS ISSUED TO APPELLEE HAD CLEARED AND WERE HONORED IN DUE COURSE OF CENTRAL BANK CLEARING, THE AMOUNTS OF THE CHECKS DEBITED FROM HIS CURRENT ACCOUNT DEPOSIT, AND THE CANCELLED CHECKS RECEIVED BY HIM. (p. 41, rollo)

Maala avers that the court *a quo*'s ruling is contrary to the evidence on record that he has fully paid his purchases with Sharp. The checks he issued as payments were not dishonored. FEBTC has officially stamped the checks and forwarded these to the Central Bank for clearing, and they were cleared. DCRB has debited their value in his account and he already received the cancelled checks. Maala asserts that the Central Bank clearing has the legal effect of discharging the obligations in the checks and the fact that the cancelled checks and the original invoices are all in his possession gives rise to the presumption that the obligation has been paid. According to Maala, the complaint does not even state that the checks were dishonored, and there is no allegation that the checks were returned to him. Maala adds too that no notice of dishonor was ever presented to him. As there was no allegation that the checks has been dishonored, perforce Sharp has no cause of action against him.

There is no merit in the appeal.

It was clearly established that out of the twenty-eight (28) DCRB checks that were issued, only the amounts of two (2) checks were credited to the account of Sharp. Despite the claim of Maala that DCRB debited the amounts of the checks from his