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[G.R. No. 126570, August 18, 2000]

PILIPINAS HINO, INC., PETITIONER, VS. COURT OF APPEALS, FERNANDO V. REYES, PONCIANO REYES, AND TERESITA R. TAN, RESPONDENTS.

D E C I S I O N

KAPUNAN, J.:

This petition for review on certiorari seeks to reverse and set aside the decision, dated September 26, 1996, of the Court of Appeals[1] in CA-G.R. CV NO. 48612 which affirmed in toto the decision of the Regional Trial Court of Pasig, Branch 152 in Civil Case No. 61266.

The antecedents of the case as found by the trial court and adopted by the appellate court in its decision, are as follows:

This is an action for Sum of Money and Damages filed by Pilipinas Hino, Inc., thereinafter referred to as the plaintiff against Fernando V. Reyes, Ponciano V. Reyes, and Teresita R. Tan, hereinafter referred to as the defendants.

The plaintiff is a corporation duly organized and existing under the laws of the Philippines, with office address at PMI Building, EDSA, Mandaluyong, Metro Manila: whereas, the defendants Fernando V. D. Reyes and Ponciano V. D. Reyes are both of legal age, with residential or business address at 57 Xavierville Avenue, Loyola Heights, Quezon City, Metro Manila, while defendant Teresita R. Tan is likewise of legal age, with postal address at 39 Zalameda St., Corinthian Garden, Quezon City.

The material allegations in plaintiff's Complaint are as follows:

ON THE FIRST CAUSE OF ACTION

That on or about 15 August 1989, a contract of lease was entered into between herein parties, under which the defendants, as lessors, leased real property located at Bigaa, Balagtas, Bulacan, to herein plaintiff for a term of two (2) years, from 16 August 1989 to 15 August 1991.

Pursuant to the contract of lease, plaintiff-lessee deposited with the defendants-lessors the amount of Four Hundred Thousand (P400,000.00) Pesos to answer for repairs and damages that may be caused by the lessee on the leased premises during the period of the lease.

After the expiration of the lease contract, the plaintiff and defendants made a joint inspection of the premises to determine the extent of the damages thereon, both agreed that the cost of repairs would amount to P60,000.00 and that the amount of P340,000.00 shall then be returned by the defendants to plaintiff. However, defendants returned to plaintiff only the amount of P200,000.00, still having a balance of P140,000.00.

Notwithstanding repeated demands, defendants unjustifiably refused to return the balance of P140,000.00 holding that the true and actual damage on the lease premises amounted to P298,738.90.

ON THE SECOND CAUSE OF ACTION

On August 10, 1990, plaintiff and defendants entered into a contract to sell denominated as a Memorandum of Agreement to sell whereby the latter agreed to sell to the former the leased property subject of this suit in the amount of P45,611,000.00.

The aforesaid Memorandum of Agreement to sell granted the owner (defendants) the option to rescind the same upon failure of the buyer (plaintiff) to pay any of the first six (6) installments with the corresponding obligation to return to the buyer any amount paid by the buyer in excess of the downpayment as stated in paragraphs 7 and 9 of the Memorandum of Agreement.

Pursuant to said Memorandum of Agreement, plaintiff remitted on August 10, 1990 to the defendants the amount of P1,811,000.00 as downpayment. Subsequently, plaintiff paid the first and second installments in the amount of P1,800,000.00 and P5,250,000.00, respectively, thereby making the total amount paid by the plaintiff to the defendants, on top of the downpayment, P7,050,000.00.

Unfortunately, plaintiff failed to pay the 3rd installment and subsequent installments: and thereupon, defendants decided to, and in fact did, in a letter dated 20 November 1990, rescinded and terminated the contract and promised to return to the plaintiff all the amounts paid in excess of the downpayment after deducting the interest due from 3rd to 6th installments, inclusive.

Thus, from the amount of P7,050,000.00 due to be returned to the plaintiff, defendants deducted P924,000.00 as interest and P220,000.00 as rent for the period from 15 February to 15 March 1991, thereby returning to the plaintiff the amount of P5,906,000.00 only, as acknowledged by plaintiff in the letter dated 4 April 1991.

x x x

In their Answer, defendants interposed the following defenses, to wit:

ON THE FIRST CAUSE OF ACTION

There is absolutely no evidence of any agreement allegedly arrived at between plaintiff and defendants upon which plaintiff can anchor its first cause of action.

Plaintiff avers that an estimate of P60,000.00 cost of repairs was agreed upon by the parties after a joint inspection of the premises, to which defendant categorically asserted that there was no such agreement arrived at, nor even an estimated amount was agreed upon by the parties. No less than plaintiff's witness Atty. Yumang testified that there was no such agreement.

It was Atty. Yumang who, by himself and without the approval of the Board came up with an amount of P60,000.00, which was turned down by the defendants as they were incompetent to determine the actual cost of the repairs.

Granting that there was an agreement entered into by Atty. Yumang with the defendants during the first inspection and thereafter as to the amount of damages, this agreement, at that time, would not have been binding on the plaintiff-corporation as Atty. Yumang was never authorized by the plaintiff-corporation at that time to enter into any settlement with the defendants.

Aside from Atty. Yumang, Mr. Rene C. Sangalang was also presented by the plaintiff. He testified that sometime in March 1991, Plaintiff (Pilhino) was moving out and he was requested to inspect the premises. In the same vein, there is nothing in the testimony to show that, at the time of the inspection or anytime thereafter, he was empowered or authorized by the plaintiff-corporation to settle any transaction with defendants. He merely prepared the cost of estimate on the repairs to be done and he forwarded it to Mr. Arsenio Paez, the General Manager of the plaintiff, who in turn allegedly sent it to the defendants. Unfortunately, however, said estimate never reached the hands of the defendants.

Plaintiff's other witness, Mr. Arsenio Paez, testified that there were two (2) inspections made on the premises and he categorically testified that he was present only in the second inspection. He also affirmed that the 'estimated' amount of P60,000.00 was allegedly arrived at by the parties and that plaintiff agreed that such amount should be allegedly retained by the defendants. However, nobody among the defendants agreed to the amount of P60,000.00. Indeed, this non-acceptance was corroborated by Mrs. Teresita Tan when she testified that she rejected the offer because it was not enough. Thus, there was no such agreement to speak of.

x x x

ON THE SECOND CAUSE OF ACTION

The defendants are entitled to the retention of the amount of P924,000.00 as payment of interest stipulated in the contract.

The second cause of action pertains to the Memorandum of Agreement to sell entered into by the parties. It is stated in paragraph 6 that an interest equivalent to three (3%) percent per thirty days period shall be imposed on any installment due but not paid for the duration of the delay. Paragraph 7 of the same documents also deserves a second look.

Since plaintiff failed to pay the third and subsequent installments, defendants' right to the 3% interest, therefore, readily accrued and became demandable at the time of the non-payment. The grace period granted to the plaintiff likewise lapsed. Consequently, the defendants decided to, and in fact did in a letter dated 20 November 1990, terminate the contract to sell. The defendants as agreed upon returned to the plaintiff the amount of P5,906,000.00 representing the amount due to the plaintiff as reimbursement of the installments for the 1st and 2nd installments. Considering that the plaintiff has failed to pay the installments due on time, the interest in the amount of P924,000.00 was charged against the plaintiff (which interest, in turn, represents the unproductive use of the money which should have been made by the defendants had the payment been made on time). The amount of P220,000.00 was likewise deducted by the defendants representing rentals for the period. Thus, only the amount of P5,906,000.00 was rightfully returned by the defendants.

Plaintiff's request to return the amount of P924,000.00 to which defendants however refused for reasons that the said amount represents interest due and demandable from the plaintiff when it incurred the delay which by virtue of legal compensation, was set-off by operation of law and the said amount was rightfully deducted from the amount of P7,050,000.00.[2]

On 24 August 1994, the trial court rendered a decision ruling in favor of respondents Reyes, et al. As to the first cause of action, the trial court found that petitioner was unable to prove its claim that based on the joint ocular inspection of the leased premises, the parties jointly agreed that petitioner would only be held liable in the amount of P60,000.00 representing damages to the leased property. As to the second cause of action, the trial court ruled that based on the contract to sell, petitioner is liable for interest arising from its failure to pay the third and subsequent installments, hence respondents were correct in withholding the amount representing these interest. The dispositive portion of the trial court's decision reads:

WHEREFORE, judgment is hereby rendered:

1. Under the first cause of action, the plaintiff has no cause of action to demand the return of the balance of the deposits in the amount of P140,000.00 pesos:
2. Under the second cause of action, the defendants have the legal right to demand accrued interest on the unpaid installments in the amount of P924,000.00 pesos.

Defendants counterclaim has not been substantiated.

SO ORDERED. [3]

Not satisfied with the trial court's decision, petitioner Pilipinas Hino elevated the case to the Court of Appeals. The appellate court, however, sustained the findings of the trial court:

WHEREFORE, the appealed decision of the lower court in Civil Case No. 61266 is hereby AFFIRMED by this Court, with costs against plaintiff-appellant.[4]

Petitioner thus seeks recourse to this Court and raises the following assignment of errors:

I

THE LOWER COURT ERRED IN NO[T] FINDING THAT THERE IS NO EVIDENCE ON RECORD SUFFICIENT TO SHOW ANY RIGHT FROM DEFENDANT-APPELLANT TO REFUSE THE RETURN OF THE BALANCE OF THE DEPOSITS AMOUNTING TO P140,000.00.

II

THE LOWER COURT ERRED IN NOT FINDING THAT THE ALLEGED DAMAGES ON THE PREMISES WERE CAUSED BY WEAR AND TEAR AND NOT DUE TO THE FAULT OF THE PLAINTIFF-APPELLANT.

III

THE LOWER COURT IN NOT FINDING THAT THE ESTIMATE OF REPAIRS MADE ON THE PREMISES WERE SPECULATIVE.

IV

THE LOWER COURT ERRED IN NOT FINDING THAT THE MEMORANDUM OF AGREEMENT (EXH. "C") CLEARLY [U]NEQUIVOCABLY PROVIDES THAT PLAINTIFF-APPELLANT IS ENTITLED TO THE RETURN OF THE AMOUNT PAID IN EXCESS OF THE DOWNPAYMENT AFTER THE DEFENDANT-APPELLEE EXERCISE[D] THE RIGHT TO FORFEIT THE SAID DOWNPAYMENT.

V

THE LOWER COURT ERRED IN NOT FINDING THAT THE PROVISION FOUND IN PARAGRAPH 6 OF THE MEMORANDUM OF AGREEMENT GRANTING THE DEFENDANT-APPELLEE THE RIGHT TO IMPOSE INTEREST IN CASE OF DELAY APPLIES ONLY IN CASE PAYMENTS AS STIPULATED IN THE AGREEMENT ARE CONTINUED BUT NOT WHEN THE AGREEMENT ITSELF IS RESCINDED.

VI

THE LOWER COURT ERRED IN NOT FINDING THAT INTEREST CANNOT BE RECOVERABLE WHEN THE PRINCIPAL AMOUNT IS IN ITSELF NOT RECOVERABLE.

VII

THE LOWER COURT ERRED IN NOT AWARDING THE SUM CLAIMED UNDER THE COMPLAINT INCLUDING EXEMPLARY DAMAGES AND ATTORNEY'S FEES.

The petition is partly meritorious.

The issues raised in this petition may be summed as follows:

(1) Should the petitioner be held liable for alleged damages to the leased property in an amount of more than P60,000.00?

(2) Does private respondent have the right to retain the P924,000.00 representing the interest due for the unpaid installments, despite the fact that the respondent has exercised his option to rescind the memorandum of agreement?

The first issue is undoubtedly a question of fact. Time and again, this Court has pronounced that we do not review findings of fact by the Court of Appeals unless findings of the appellate court are mistaken, absurd, speculative, conjectural, conflicting, tainted with grave abuse of discretion, or contrary to the findings culled by the trial court of origin.[5] In the case bar, no such reason exist to warrant a review of the appellate court's factual findings.

In support of his allegation, petitioner quotes the following portion of the decision of the trial court: