

FIRST DIVISION

[G.R. No. 211149, November 28, 2019]

**OSCAR LL. ARCINUE, PETITIONER, VS. ALICE ILALO S. BAUN,
RESPONDENT.**

DECISION

LAZARO-JAVIER, J.:

The Case

This petition seeks to nullify the following dispositions of the Court of Appeals in CA-G.R. CV No. 96157:

1. Decision^[1] dated July 17, 2013 affirming the decision of the Regional Trial Court - Branch 57, San Carlos City, Pangasinan finding petitioner liable for damages.
2. Resolution^[2] dated January 28, 2014 denying petitioner's motion for reconsideration.

Antecedents

On October 1, 1990, AMA Computer Learning Center (ACLC) granted petitioner Oscar Arcinue a franchise to operate a computer training school under ACLC's name in Dagupan City, Pangasinan. The franchise was for ten (10) years subject to strict compliance with the parties' Agreement for Franchise Operations.^[3] Section 21 thereof partly reads:

21. Franchisee may transfer its right of franchise to another entity or person within the ten-year term; provided that the transferee shall be acceptable to Franchisor and hence subject to prior approval of Franchisor before effecting the transfer, and that the transferee shall continue to have the rights of the franchise only within the unexpired period of the term.^[4]

Three (3) years later, Arcinue still had not commenced operation. Not only that. He also sold his franchise to respondent Alice Ilalo S. Baun for P85,000.00 without ACLC's prior approval. After the sale though, Baun immediately took steps to set-up the computer school. She leased a building and hired an architect for renovations to conform with ACLC's specifications.^[5] Upon ACLC's inspection, however, the proposed school building did not meet its standards since the total floor area was inadequate. More, ACLC found out that Baun was a director of a school in San Carlos, Pangasinan which likewise offered computer courses.^[6]

Through a letter dated November 19, 1994, ACLC advised Arcinue it still considered

him as the franchisee and not Baun for they had not received any confirmation or document from him with respect to the transfer of rights. ACLC thus directed Arcinue to send them the corresponding documents for transfer of franchise not later than January 1995; otherwise, it will be constrained to terminate the existing franchise. ACLC did not receive any response from Arcinue.

A year later, on November 20, 1995, Arcinue sent ACLC a handwritten note stating that Baun had two (2) proposed buyers for the franchise. ACLC responded under letter dated November 29, 1995 that since there was no document acknowledging Baun as franchisee, the sale or transfer of Arcinue's franchise should still be coursed through him (Arcinue). ACLC also furnished Arcinue with guidelines for sale or transfer of franchise.^[7] Arcinue again did not reply.

Consequently, in 1997, ACLC terminated Arcinue's franchise for his continuous failure to operate and for having assigned his franchise to Baun without its prior approval.^[8]

On September 11, 1997, Baun filed the complaint below against Arcinue and ACLC for specific performance and damages to enforce her rights as transferee of Arcinue's franchise.

Trial on the merits ensued. Baun completed her presentation of evidence on April 30, 2002.^[9] She, however, died on June 21, 2009. She was survived by her siblings whom the trial court allowed to substitute as plaintiff in the proceedings below.^[10]

The Ruling of the RTC

On October 8, 2010, the Regiona Trial Court - Br. 57, San Carlos City, Pangasinan found that Arcinue's transfer of franchise to Baun was never approved by ACLC. Baun, therefore, ever had any right which she could have enforced against ACLC.

Arcinue, on the other hand, had acted in bad faith in his dealings with ACLC and Baun. Not only did he fail to set-up the computer school as stipulated in the franchise agreement with ACLC, he also profited from it by selling his franchise to Baun, sans ACLC's prior approval. Consequently, ACLC lost its potential income during t e seven (7)-year period within which Arcinue failed to operate the computer school. Too, Baun suffered pecuniary loss when she paid Arcinue P85,000.00 for the transfer of franchise and incurred expenses in setting up the computer school without ACLC's approval. The trial court thus ruled that Arcinue's acts were in violation of Articles 19, 20, and 21 of the Civil Code^[11] which warranted payment of damages, viz:

WHEREFORE, premises considered, this case is DISMISSED as against defendant AMA.

Defendant Arcinue is hereby ordered to pay:

A. To the estate of the late plaintiff Alice Ilalo S. Baun:

1) The sum of P85,000.00 as actual damages, with legal interest at six percent (6%) per annum or a fraction thereof, from the time he unjustly

received the said amount from the plaintiff in 1993 until the same is paid in full;

2) The sum of P50,000.00 as exemplary damages; and

3) The sum of P50,000.00 as moral damages.

B. To defendant AMA:

1) The sum of P100,000.00 as temperate damages in lieu of actual damages since while this defendant offered in evidence a list of figures of projected income losses in the seven years that defendant Arcinue failed to open and operate its computer school in Dagupan City, it failed to substantiate the same with sufficient specifics and thus the Court finds the same speculative.

2) The sum of P50,000.00 as exemplary damages; and

3) The sum of P25,000.00 as moral damages.

SO ORDERED.

Arcinue appealed to the Court of Appeals but only impleaded Baun as defendant-appellee. Thus, the trial court's decision had become final and executory insofar as ACLC is concerned.

The Proceedings Before the Court of Appeals

On appeal, Arcinue argued that he did not act in bad faith in his dealings with ACLC and Baun. The transfer of his franchise to Baun was impliedly approved by ACLC when its employees, on several occasions, met with Baun and provided her assistance in setting-up the computer school, *i.e.*, they interviewed her; directed her to look for a school site in Dagupan City; surveyed the proposed site; and gave her advertising materials. In the end, however, ACLC still did not approve the transfer of franchise. Thus, it was ACLC who acted in bad faith, not him. Further, the case should have been dismissed when Baun died since an action for specific performance and damages is a personal action which did not survive Baun's death.

The Court of Appeals' Ruling

By the trial court's Decision dated July 17, 2013,^[12] the Court of Appeals affirmed. It found sufficient proof that Arcinue sold his franchise to Baun without prior notification and approval of ACLC. The transfer was done knowingly in contravention of Arcinue's Agreement for Franchise Operations with ACLC.

ACLC, on the other hand, could not have acted in bad faith. For it never approved or granted a franchise in Baun's favor. Baun was thus a mere stranger or a third-party who can never be benefited by the franchise agreement.

The Court of Appeals, nonetheless, found that Baun suffered damages due to Arcinue's tortious acts. The case was therefore for "recovery of damages for an injury to person or property" which survives even after a party's death.^[13]

Arcinue sought a reconsideration which was denied under Resolution dated January 28, 2014.^[14]

The Present Petition

Arcinue now seeks affirmative relief from the Court. He reiterates that it was ACLC which acted in bad faith and not him.^[15] Too, Baun's death rendered her complaint dismissible.^[16]

In her Comment,^[17] respondent defends the award of damages to her as she had sufficiently established her entitlement thereto.

In his Reply,^[18] Arcinue claim he acted in good faith when he transferred his franchise to Baun; hence, he should not be held liable for damages.

Core Issue

Did the Court of Appeals err in affirming petitioner's liability for damages?

Ruling

We deny the petition.

First, in petitions for review on certiorari under Rule 45 of the Rules of Court, the Court is narrowly confined to the review of legal issues. Hence, the Court will not take cognizance of the factual issues here, let alone, calibrate anew the evidence which had already been thoroughly evaluated and considered twice by the tribunals below ^[19]

In ***Lorzano v. Tabayag, Jr.***,^[20] the Court held that the propriety of the award of damages is a question of fact, thus:

For the same reason, we would ordinarily disregard the petitioner's allegation as to the propriety of the award of moral damages and attorney's fees in favor of the respondent as it is a question of fact. Thus, questions on whether or not there was a preponderance of evidence to justify the award of damages or whether or not there was a causal connection between the given set of facts and the damage suffered by the private complainant or whether or not the act from which civil liability might arise exists are questions of fact.

Here, petitioner is essentially questioning his liability for damages claiming he did not act in bad faith in his dealings with ACLC and respondent Baun. His argument, however, requires a re-examination of the evidence presented by the parties during trial which the Court is precluded from doing so. This is especially true where the trial court's findings are adopted and affirmed by the Court of Appeals as in this case. While it is true that there are recognized exceptions to the general rule that only questions of law may be entertained in a Rule 45 petition, none obtains in this case.^[21]