

## FIRST DIVISION

[ G.R. No. 214805, December 14, 2017 ]

**MARIANITO PADILLA AND ALFREDO JAVALUYAS, PETITIONERS,  
V. UNIVERSAL ROBINA CORPORATION, REPRESENTED BY ITS  
SENIOR VICE PRESIDENT, JOHNSON ROBERT GO,  
RESPONDENTS.**

### D E C I S I O N

**DEL CASTILLO, J.:**

This Petition for Review on *Certiorari*<sup>[1]</sup> assails the April 22, 2014 Decision<sup>[2]</sup> of the Court of Appeals (CA) in CA-G.R. CV No. 93260 reversing and setting aside the December 13, 2008 Decision<sup>[3]</sup> of the Regional Trial Court (RTC) of Gapan City, Branch 36, in Civil Case No. 1495 for damages and injunction with preliminary injunction. The trial court declared the obligations of petitioners Marianito Padilla (Padilla) and Alfredo Javaluyas (Javaluyas) to respondent Universal Robina Corporation (URC) extinguished, ordered the release of the real estate mortgages executed by petitioners in favor of URC, and made permanent the Writ of Preliminary Injunction enjoining the extrajudicial foreclosure of petitioners' mortgaged properties.

#### ***Factual Antecedents***

This case stemmed from a Complaint<sup>[4]</sup> for Damages filed by several poultry farmers, namely Eduardo Pineda, Simplicio Ortiz Luis, Jose Bantigue, Azucena Vergara, Eduardo Guingon and herein petitioners (complainants) against URC on May 26, 1995, before the RTC of Gapan City, Branch 36.

The facts, as culled from the records of the case, are as follows:

For various years, URC, a corporation engaged in the manufacture and sale of various agro-industrial products, sold/supplied on credit day-old chicks and poultry feeds to complainants who, in turn, provided the labor, poultry houses, electricity and water facilities to care and grow these chicks until they are ready for harvest after 50 days, more or less. URC had the option of buying from complainants the full-grown broiler chickens that met the target harvest weight at an agreed price per kilo. Liquidation was made within 15 days after the harvest by setting off the price of the full grown broiler chickens with the amount of purchases made by complainants on credit. Thus, if the purchases on credit were greater than the value of the chickens harvested, complainants paid the balance to URC, but if it were otherwise, complainants received their respective paybacks or earnings.

Documents entitled Continuing Credit Accommodation with Real Estate Mortgage (CCAREM)<sup>[5]</sup> were executed by the parties whereby URC agreed to extend a continuous credit accommodation in favor of each complainant, for the latter's purchases of day-old chicks, poultry feeds, and other agricultural products from the

former, while each complainant put up a real estate mortgage. The relevant terms and conditions of the CCAREM are as follows:

x x x x

#### I. AS TO CREDIT ACCOMMODATION -

1. It is agreed upon by the parties that all purchases will be paid not later than sixty (60) days from the date of every purchase. Any purchase not paid or settled within the said period will automatically make all subsequent purchases due and payable even before their due dates.
2. The MORTGAGOR and/or PRINCIPAL will be considered in default if they fail to pay their obligation upon maturity with or without demand and it is agreed that a certified statement by the COMPANY- MORTGAGEE, as to the amount due from the MORTGAGOR and/or PRINCIPAL will be accepted by the latter as conclusive evidence of their obligation.
3. The obligation of the MORTGAGOR and/or PRINCIPAL in case of their default shall earn an interest at the rate of 16% per annum until fully paid.
4. The parties agree and stipulate that ownership in the thing purchase[d] will not be transferred to the MORTGAGOR and/or PRINCIPAL until they have fully paid the price.
5. In case the thing purchased should be lost, damaged or destroyed without the fault of the COMPANY-MORTGAGEE, or by reason of fortuitous events or force majeure - like death of day-old chicks or chickens by reason of any sickness, disease, "peste or NCD," theft, robbery, typhoon, fire, flood and others - the risk of loss shall be borne by the MORTGAGOR and/or PRINCIPAL and their liability to pay their obligation to COMPANY-MORTGAGEE is not extinguished. The MORTGAGOR and/or PRINCIPAL are still obligated to pay the day- old chicks, poultry feeds and other products purchased from the COMPANY-MORTGAGEE.

x x x x<sup>[6]</sup>

The business relationship between URC and complainants continued for years and the CCAREMS were renewed yearly. However, sometime in the year 1993, complainants informed URC of the stunting or slow growth and high mortality rate of the chickens. They claimed that URC supplied them with low quality feeds with high aflatoxin content and class B or junior day-old chicks. Meanwhile, the stunted chickens that failed to meet the standard target weight for harvest were rejected by URC and were condemned (beheaded). As a result, complainants incurred outstanding obligations. URC made several demands for complainants to settle their unpaid obligations under the CCAREMs,<sup>[7]</sup> but they refused to pay. Hence, on June 25, 1995, URC filed an application for extrajudicial foreclosure of the real estate mortgages on complainants' respective properties under the CCAREMs.

## ***Proceedings before the Regional Trial Court***

On May 26, 1995, complainants filed a Complaint<sup>[8]</sup> for damages, docketed as Civil Case No. 1495, with the RTC of Gapan City, Branch 36, against URC. The complainants claimed that they incurred losses and sustained damages from the stunting/slow growth of the chickens as a result of the low quality feeds with high aflatoxin content and class B or junior day-old chicks supplied by URC in evident bad faith. Since the stunting and eventual condemnation/death of the chickens was due to URC's fault, complainants claimed that their obligation to pay URC was extinguished. Complainants thereafter filed an Amended Complaint<sup>[9]</sup> to include, as a nominal party defendant, Notary Public Olivia V. Jacoba (Notary Public Jacoba), and, as additional cause of action, the issuance of an ex-parte restraining order and a preliminary injunction prohibiting Notary Public Jacoba from selling their real properties at the scheduled public auction for the extrajudicial foreclosure of the real estate mortgages, claiming that Notary Public Jacoba had no authority to issue the Notices of Auction Sale<sup>[10]</sup> for lack of a notarial commission.

In its Answer *Ad Cautela*,<sup>[11]</sup> URC alleged that complainants had no cause of action; that the terms and conditions of its agreement with complainants were clearly indicated in the CCAREMs duly signed by them; that it was compelled, under the CCAREM, to foreclose extrajudicially the properties mortgaged when complainants defaulted in their payment; that it never ordered the condemnation of the defective chickens; that the cause of the chicks' stunted growth was complainants' lack of care in the growing of the chicks; and that it supplied the complainants with feeds of good quality. In its Amended Answer,<sup>[12]</sup> URC further claimed that the venue of complainants' case was improperly laid.

On July 14, 1995, the RTC issued an Order<sup>[13]</sup> restraining URC from selling the real properties of complainants. After the hearing on the prayer for preliminary injunction, the RTC, in its Order dated January 18, 1998,<sup>[14]</sup> issued a Writ of Preliminary Injunction prohibiting the extrajudicial foreclosure of complainants' real properties mortgaged under the CCAREMs upon complainants' filing of an injunction bond. A motion for reconsideration was filed by URC questioning the legal basis of the Writ of Preliminary Injunction, but was, however, denied by the RTC in an Order dated October 7, 1998.<sup>[15]</sup> Both the January 18, 1998 and October 7, 1998 Orders of the RTC were affirmed by the CA upon appeal by URC, which became final on July 27, 2001.<sup>[16]</sup>

Meanwhile, complainants, except petitioners, withdrew their complaints and opted to settle their respective outstanding obligations with URC under the CCAREMs. They recanted their previous allegation that the stunting growth of the chicks was due to URC's fault and instead attributed the same to local pestilence and oversight on their part in the care of the chicks.<sup>[17]</sup> Petitioners, on the other hand, insisted on URC's fault, hence, trial proceeded only with respect to them.

During the hearing, petitioners testified that they were contract growers of URC by virtue of CCAREMs signed by them;<sup>[18]</sup> that as per their agreement with URC, they would take care and grow the chicks supplied by URC for more or less forty-five (45) to fifty (50) days;<sup>[19]</sup> that sometime in May 1993, they noticed that the chicks, which they described as "small and runts" and "*maliit at bansot*" were not growing normally;<sup>[20]</sup> that they reported the matter to URC which prompted the latter to

send a representative who later told them that the cause of the stunting growth of the chickens was the purported defective feeds supplied by URC;<sup>[21]</sup> and that URC decided to condemn/discard those chickens that did not satisfy the standard target weight for harvest.<sup>[22]</sup> Petitioners added that since the slow growth of the chicks was caused by URC's fault, their obligation was extinguished.<sup>[23]</sup>

URC, on the other hand, presented as witness William Lim (Lim) who testified that he was the National Sales Manager of URC, and as such, was responsible for the monitoring of sales activities and delivery of chicks and poultry feeds to the company's customers.<sup>[24]</sup> He testified that URC entered into continuing credit accommodation contracts with complainants, by virtue of CCAREMs,<sup>[25]</sup> wherein URC, under a buy back arrangement, would sell on credit chicks to complainants, who, in turn, would grow the chicks according to their own management without URC's intervention. URC would thereafter offer to buy back the full-grown broiler chickens at an agreed price.<sup>[26]</sup> In 1993, URC was compelled to investigate several complaints regarding the slow growth of the chickens, which investigation revealed that the cause of the stunted growth was some viral infection causing respiratory problems among the chickens and not due to defective feeds as falsely alleged by complainants.<sup>[27]</sup> Lim denied that the feeds supplied by URC were defective since it passed quality control<sup>[28]</sup> or that URC ordered the condemnation of the chickens, explaining that only complainants, as owner thereof, can dispose of the same.<sup>[29]</sup> Since URC only harvested those chickens that met the standard weight and since the value of the full grown ones was not enough to pay for the amount of chicks and poultry feeds purchased from URC, complainants incurred outstanding obligations prompting URC to initiate foreclosure proceedings when complainants refused to pay on demand.<sup>[30]</sup>

As rebuttal evidence, petitioners presented Eduardo Del Pilar (Del Pilar), a former employee of URC who performed the functions of Dressed Chicken Checker, Live Broiler Chicken Checker, and Materials Coordinator.<sup>[31]</sup> According to Del Pilar, he attended a meeting called by the management of URC wherein it was discussed that the cause of the stunted growth was the poultry feeds supplied by URC. During that meeting, URC also ordered the condemnation of the stunted chickens.<sup>[32]</sup> On cross-examination, he stated that he was ordered by Lim to witness the condemnation and in the process, prepared/issued the corresponding condemnation reports.<sup>[33]</sup>

On December 13, 2008, the trial court rendered a Decision,<sup>[34]</sup> the dispositive portion of which reads:

WHEREFORE, premises considered, judgment is rendered:

- a) declaring the obligations of Alfredo Javaluyas and Marianito Padilla to Universal Robina Corporation under the latter's statements of account both dated 03 January 1997, in the amount of Php624,872.04 and Php727,317.59 respectively, extinguished;
- b) making the Writ of Preliminary Injunction, enjoining the URC to desist from foreclosing extrajudicially the properties mortgaged by Alfredo Javaluyas and Marianito Padilla permanent;
- c) ordering defendant Universal Robina Corporation:

- 1) to release the real estate mortgages executed by Alfredo Javaluyas and Marianito Padilla in its favor;
- 2) to pay the sum of Php50,000.00 as attorney's fee; and
- [3] to pay the cost of suit.

SO ORDERED.<sup>[35]</sup>

In declaring petitioners' contractual obligation with URC as extinguished, the trial court found the CCAREMs as unconscionable and against public policy for being a contract of adhesion which contained terms that were heavily weighed in favor of URC. It held that what the parties entered into was actually a growing agreement whereby petitioners, as contract growers, took care and grew the broiler chicks supplied by URC which retained ownership of the chicks. The delivery of the chicks to petitioners did not transfer its ownership to them nor make the relationship of the parties one of a buy back arrangement considering that the contract growers had no right to sell the broiler chickens to others except to URC and that URC controlled the operation and growing of the chicks by exclusively supplying poultry feeds and agricultural products, as well as by giving orders of condemnation. As the owner of the broiler chicks/chickens, URC should bear the loss. At the same time, the trial court found petitioners not guilty of negligence in the care of the chicks as to hold them liable for the loss. Since neither of the parties was shown to be at fault by preponderance of evidence, the RTC held that each had to bear their respective losses and accordingly was not entitled to damages against each other.

### ***Proceedings before the Court of Appeals***

URC appealed to the CA, assailing the trial court ruling that it entered into a growing agreement with petitioners; that it retained ownership of the broiler chickens; that the CCAREMs were unconscionable and against public policy; and that the obligations of petitioners were extinguished. It also claimed that the trial court erred in ordering the release of the real estate mortgages executed by petitioners; in making permanent the writ of injunction; and in ordering it to pay attorney's fees and the cost of suit.

On April 22, 2014, the CA rendered a Decision<sup>[36]</sup> granting URC's appeal. The CA held that petitioners' acquiescence to the terms and provisions of the CCAREMs made it a binding agreement between the parties that should govern and delineate their respective rights and obligations. Under the CCAREM, URC shall only be accountable if the loss, damage, or destruction of the subject livestock was due to its fault, which, in this case, was not proven. In ruling in favor of URC, the CA held that there was no credible evidence, except mere self-serving claims, that URC supplied contaminated poultry feeds which affected the growth of the broiler chicks. No veterinarians or nutritionists were presented to prove petitioners' claims. The CA therefore ruled that petitioners should bear the loss of the broiler chickens and are liable to pay URC their outstanding obligations plus interest and attorney's fees in accordance with the provisions of the CCAREM.

The CA struck down for being improper the foreclosure sale made at the instance of Notary Public Jacoba who lacked the necessary notarial commission. However, in recognizing URC's right to avail of the remedy of foreclosure as provided under the CCAREM, the CA lifted the permanent injunction issued by the trial court to allow