

FIRST DIVISION

[G.R. No. 207970, January 20, 2016]

**FERNANDO MEDICAL ENTERPRISES, INC., PETITIONER, VS.
WESLEYAN UNIVERSITY PHILIPPINES, INC., RESPONDENT.**

DECISION

BERSAMIN, J.:

The trial court may render a judgment on the pleadings upon motion of the claiming party when the defending party's answer fails to tender an issue, or otherwise admits the material allegations of the adverse party's pleading. For that purpose, only the pleadings of the parties in the action are considered. It is error for the trial court to deny the motion for judgment on the pleadings because the defending party's pleading in another case supposedly tendered an issue of fact.

The Case

The petitioner appeals the decision promulgated on July 2, 2013,^[1] whereby the Court of Appeals (CA) affirmed the order issued on November 23, 2011 by the Regional Trial Court (RTC), Branch 1, in Manila, denying its motion for judgment on the pleadings in Civil Case No. 09-122116 entitled *Fernando Medical Enterprises, Inc. v. Wesleyan University-Philippines*.^[2]

Antecedents

From January 9, 2006 until February 2, 2007, the petitioner, a domestic corporation dealing with medical equipment and supplies, delivered to and installed medical equipment and supplies at the respondent's hospital under the following contracts:

- a. Memorandum of Agreement dated January 9, 2006 for the supply of medical equipment in the total amount of P18,625,000.00;^[3]
- b. Deed of Undertaking dated July 5, 2006 for the installation of medical gas pipeline system valued at P8,500,000.00;^[4]
- c. Deed of Undertaking dated July 27, 2006 for the supply of one unit of Diamond Select Slice CT and one unit of Diamond Select CV-P costing P65,000,000.00;^[5] and
- d. Deed of Undertaking dated February 2, 2007 for the supply of furnishings and equipment worth P32,926,650.00.^[6]

According to the petitioner, the respondent paid only P67,3 57,683.23 of its total

obligation of P123,901,650.00, leaving unpaid the sum of P54,654,195.54.^[7] However, on February 11, 2009, the petitioner and the respondent, respectively represented by Rafael P. Fernando and Guillermo T. Maglaya, Sr., entered into an agreement,^[8] whereby the former agreed to reduce its claim to only P50,400,000.00, and allowed the latter to pay the adjusted obligation on installment basis within 36 months.^[9]

In the letter dated May 27, 2009,^[10] the respondent notified the petitioner that its new administration had reviewed their contracts and had found the contracts defective and rescissible due to economic prejudice or lesion; and that it was consequently declining to recognize the February 11, 2009 agreement because of the lack of approval by its Board of Trustees and for having been signed by Maglaya whose term of office had expired.

On June 24, 2009, the petitioner sent a demand letter to the respondent.^[11]

Due to the respondent's failure to pay as demanded, the petitioner filed its complaint for sum of money in the RTC,^[12] averring as follows:

x x x x

2. On January 9, 2006, plaintiff supplied defendant with hospital medical equipment for an in consideration of P18,625,000.00 payable in the following manner: (2.1) For nos. 1 to 9 of items to be sourced from Fernando Medical Equipment, Inc. (FMEI) - 30% down payment of P17,475,000 or P5,242,500 with the balance of P12,232,500 or 70% payable in 24 equal monthly instalments of P509,687.50 and (2.2.) cash transaction amounting to P1,150,000.00 (2.3) or an initial cash payment of P6,392,500.00 with the remaining balance payable in 24 equal monthly installments every 20th day of each month until paid, as stated in the Memorandum of Agreement, copy of which is hereto attached as Annex "A";

3. On July 5, 2006, plaintiff installed defendants medical gas pipeline system in the latter's hospital building complex for and in consideration of P8,500,000.00 payable upon installation thereof under a Deed of Undertaking, copy of which is hereto attached as **Annex "B"**;

4. On July 27, 2006, plaintiff supplied defendant one (1) unit Diamond Select Slice CT and one (1) unit Diamond Select CV-9 for and in consideration of P65,000,000.00 thirty percent (30%) of which shall be paid as down payment and the balance in 30 equal monthly instalments as provided in that Deed of Undertaking, copy of which is hereto attached as **Annex "C"**;

5. On February 2, 2007, plaintiff supplied defendants hospital furnishings and equipment for an in consideration of P32,926,650.00 twenty percent (20%) of which was to be paid as downpayment and the balance in 30 months under a Deed of Undertaking, copy of which is hereto attached as **Annex "D"**;

6. Defendant's total obligation to plaintiff was P123,901,650.00 as of February 15, 2009, but defendant was able to pay plaintiff the sum of P67,357,683.23 thus leaving a balance P54,654,195.54 which has become overdue and demandable;

7. On February 11, 2009, plaintiff agreed to reduce its claim to only P50,400,000.00 and extended its payment for 36 months provided defendants shall pay the same within 36 months and to issue 36 postdated checks therefor in the amount of P1,400,000.00 each to which defendant agreed under an Agreement, copy of which is hereto attached as **Annex "E"**;

8. Accordingly, defendant issued in favor of plaintiff 36 postdated checks each in the [a]mount of P1,400,000.00 but after four (4) of the said checks in the sum of P5,600,000.00 were honored defendant stopped their payment thus making the entire obligation of defendant due and demandable under the February 11, 2009 agreement;

9. In a letter dated May 27, 2009, defendant claimed that all of the first four (4) agreements may be rescissible and one of them is unenforceable while the Agreement dated February 11, 2009 was without the requisite board approval as it was signed by an agent whose term of office already expired, copy of which letter is hereto attached as **Annex "F"**;

10. Consequently, plaintiff told defendant that if it does not want to honor the February 11, 2009 contract then plaintiff will insists [sic] on its original claim which is P54,654,195.54 and made a demand for the payment thereof within 10 days from receipt of its letter copy of which is hereto attached as **Annex "G"**;

11. Defendant received the aforesaid letter on July 6, 2009 but to date it has not paid plaintiff any amount, either in the first four contracts nor in the February 11, 2009 agreement, hence, the latter was constrained to institute the instant suit and thus incurred attorney's fee equivalent to 10% of the overdue account but only after endeavouring to resolve the dispute amicable and in a spirit of friendship[;]

12. Under the February 11, 2009 agreement the parties agreed to bring all actions or proceedings thereunder or characterized therewith in the City of Manila to the exclusion of other courts and for defendant to pay plaintiff 3% per months of delay without need of demand;^[13]

x x x x

The respondent moved to dismiss the complaint upon the following grounds,^[14] namely: (a) lack of jurisdiction over the person of the defendant; (b) improper venue; (c) *litis pendentia*; and (d) forum shopping. In support of the ground of *litis pendentia*, it stated that it had earlier filed a complaint for the rescission of the four contracts and of the February 11, 2009 agreement in the RTC in Cabanatuan City; and that the resolution of that case would be determinative of the petitioner's action

for collection.^[15]

After the RTC denied the motion to dismiss on July 19, 2009,^[16] the respondent filed its answer (*ad cautelam*),^[17] averring thusly:

x x x x

2. The allegations in Paragraphs Nos. 2, 3, 4, and 5 of the complaint are ADMITTED subject to the special and affirmative defenses hereafter pleaded;

3. The allegations in Paragraphs Nos. 6, 7 and 8 of the complaint are DENIED for lack of knowledge or information sufficient to form a belief as to the truth or falsity thereof, inasmuch as the alleged transactions were undertaken during the term of office of the past officers of defendant Wesleyan University-Philippines. At any rate, these allegations are subject to the special and affirmative defenses hereafter pleaded;

4. The allegations in Paragraphs Nos. 9 and 10 of the complaint are ADMITTED subject to the special and affirmative defenses hereafter pleaded;

5. The allegations in Paragraphs Nos. 11 and 12 of the complaint are DENIED for being conclusions of law.^[18]

x x x x

The petitioner filed its reply to the answer.^[19]

On September 28, 2011, the petitioner filed its *Motion for Judgment Based on the Pleadings*,^[20] stating that the respondent had admitted the material allegations of its complaint and thus did not tender any issue as to such allegations.

The respondent opposed the *Motion for Judgment Based on the Pleadings*, arguing that it had specifically denied the material allegations in the complaint, particularly paragraphs 6, 7, 8, 11 and 12.^[21]

On November 23, 2011, the RTC issued the order denying the *Motion for Judgment Based on the Pleadings* of the petitioner, to wit:

At the hearing of the "Motion for Judgment Based on the Pleadings" filed by the plaintiff thru counsel, Atty. Jose Mañacop on September 28, 2011, the court issued an Order dated October 27, 2011 which read in part as follows:

x x x x

Considering that the allegations stated on the Motion for

Judgment Based on the Pleadings, are evidentiary in nature, the Court, instead of acting on the same, hereby sets this case for pre-trial, considering that with the Answer and the Reply, issues have been joined.

x x x x

In view therefore of the Order of the Court dated October 27, 2011, let the Motion for Judgment Based on the Pleadings be hereby ordered DENIED on reasons as abovestated and hereto reiterated.

x x x x

SO ORDERED.^[22]

The petitioner moved for reconsideration,^[23] but its motion was denied on December 29, 2011.^[24]

The petitioner assailed the denial in the CA on *certiorari*.^[25]

Judgment of the CA

On July 2, 2013, the CA promulgated its decision. Although observing that the respondent had admitted the contracts as well as the February 11, 2009 agreement, *viz.:*

It must be remembered that Private Respondent admitted the existence of the subject contracts, including Petitioner's fulfilment of its obligations under the same, but subjected the said admission to the "special and affirmative defenses" earlier raised in its Motion to Dismiss.

x x x x

Obviously, Private Respondent's special and affirmative defenses are not of such character as to avoid Petitioner's claim. The same special and affirmative defenses have been passed upon by the RTC in its Order dated July 19, 2010 when it denied Private Respondent's Motion to Dismiss. As correctly found by the RTC, Private Respondent's special and affirmative defenses of lack of jurisdiction over its person, improper venue, *litis pendentia* and wilful and deliberate forum shopping are not meritorious and cannot operate to dismiss Petitioner's Complaint. Hence, when Private Respondent subjected its admission to the said defenses, it is as though it raised no defense at all.

Not even is Private Respondent's contention that the rescission case must take precedence over Petitioner's Complaint for Sum of Money tenable. To begin with, Private Respondent had not yet proven that the subject contracts are rescissible. And even if the subject contracts are indeed rescissible, it is well-settled that rescissible contracts are valid contracts