

## SECOND DIVISION

**[ G.R. No. 191189, January 29, 2014 ]**

**MANLAR RICE MILL, INC., PETITIONER, VS. LOURDES L. DEYTO,  
DOING BUSINESS UNDER THE TRADE NAME "J.D. GRAINS  
CENTER" AND JENNELITA DEYTO ANG, A.K.A. "JANET ANG,"  
RESPONDENTS.**

### D E C I S I O N

**DEL CASTILLO, J.:**

As a general rule, a contract affects only the parties to it, and cannot be enforced by or against a person who is not a party thereto.

This Petition for Review on *Certiorari*<sup>[1]</sup> seeks to set aside the October 30, 2009 Decision<sup>[2]</sup> of the Court of Appeals (CA) in CA-G.R. CV No. 91239, entitled "*Manlar Rice Mill, Inc., Plaintiff-Appellee, versus Lourdes L. Deyto, doing business under the trade name JD Grains Center, Defendant-Appellant,*" as well as its February 9, 2010 Resolution<sup>[3]</sup> denying reconsideration of the assailed judgment.

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

Petitioner Manlar Rice Mill, Inc. (Manlar), organized and existing under Philippine laws, is engaged in the business of rice milling and selling of grains. Respondent Lourdes L. Deyto (Deyto) does business under the trade name "JD Grains Center" and is likewise engaged in the business of milling and selling of grains. Respondent Jennelita Deyto Ang or Janet Ang (Ang) is Deyto's daughter and, prior to her alleged absconding, operated her own rice trading business through her own store, "Janet Commercial Store".<sup>[4]</sup>

It appears that in October 2000, Ang entered into a rice supply contract with Manlar, with the former purchasing rice from the latter amounting to P3,843,220.00. The transaction was covered by nine postdated checks issued by Ang from her personal bank/checking account with Chinabank,<sup>[5]</sup> to wit:

<b><u>Check Number</u></b>	<b><u>Date</u></b>	<b><u>Amount (PhP).</u></b>
146514	October 19, 2000	P 204,660.00
146552	October 20, 2000	472,200.00
146739	October 27, 2000	327,600.00
146626	October 26, 2000	212,460.00
146627 <sup>[6]</sup>	October	565,600.00

	27, 2000	
146740	October	515,000.00
	30, 2000	
146628	October	358,500.00
	31, 2000	
146630	November	593,600.00
	4, 2000	
146555	November	<u>593,600.00</u>
	6, 2000	
	TOTAL	P 3,843,220.00

Upon presentment, the first two checks were dishonored for having been drawn against insufficient funds; the remaining seven checks were dishonored for being drawn against a closed account. Manlar made oral and written demands upon both Deyto and Ang, which went unheeded.<sup>[7]</sup> It appears that during the time demand was being made upon Deyto, she informed Manlar, through its Sales Manager Pablo Pua (Pua), that Ang could not be located.<sup>[8]</sup>

On November 24, 2000,<sup>[9]</sup> Manlar filed a Complaint<sup>[10]</sup> for sum of money against Deyto and Ang before the Regional Trial Court (RTC) of Quezon City. The case was docketed as Civil Case No. Q-00-42527 and assigned to Branch 215. The Complaint essentially sought to hold Deyto and Ang solidarily liable on the rice supply contract. Manlar prayed for actual damages in the total amount of P3,843,220.00, with interest; P300,000.00 attorney's fees, with charges for appearance fees; and attachment bond and attachment expenses.

Deyto filed her Answer with Compulsory Counterclaim,<sup>[11]</sup> claiming that she did not contract with Manlar or any of its representatives regarding the purchase and delivery of rice; that JD Grains Center was solely owned by her, and Ang had no participation therein, whether as employee, consultant, agent or other capacity; that JD Grains Center was engaged in rice milling and not in the buying and selling of rice; and that one of her customers was her daughter Ang, who was engaged in the buying and selling of rice under the trade name "Janet Commercial Store." Deyto prayed among others that the Complaint be dismissed.

For her part, Ang failed to file an Answer despite summons by publication; for this reason, she was declared in default.

On June 7, 2001, Manlar submitted to the trial court a notarized minutes of a special meeting of its board of directors<sup>[12]</sup> dated November 8, 2000, indicating that Pua was authorized to file and prosecute the Complaint in Civil Case No. Q-00-42527.

In a July 31, 2001 Resolution,<sup>[13]</sup> the trial court resolved to deny Deyto's special/affirmative defenses contained in her Answer. Regarding her objection to Pua's authority to prosecute the case for lack of the proper board resolution to such effect, the trial court held that the issue had been rendered moot by Manlar's submission on June 7, 2001 of the notarized board resolution.

During trial, Manlar presented its lone witness, Pua, who testified that he knew Deyto and Ang since 1995; that Ang was the Operations Manager of JD Grains

Center; that they (Deyto and Ang) bought rice from Manlar on "cash on delivery" basis from 1995 up to 2000; that since 2000, they increased the volume of their purchases and requested that they pay Manlar by postdated checks on a weekly basis, to which Manlar acceded; that Manlar agreed to this arrangement because Deyto induced Pua to deliver rice on the assurance that Deyto had extensive assets, financial capacity and a thriving business, and Deyto provided Pua with copies of JD Grains Center's certificate of registration, business permit, business card, and certificates of title covering property belonging to Deyto; that when rice deliveries were made by Manlar, Deyto was not around; that it was solely Ang who issued the subject checks and delivered them to Pua or Manlar; that initially, they (Deyto and Ang) faithfully complied with the arrangement; that later on, they defaulted in their payments thus resulting in the dishonor of the subject nine checks previously issued to Manlar; that by then, Manlar had delivered rice to them totaling P3,843,220.00; that he went to the residence of Deyto at No. 93 Bulusan Street, La Loma, Quezon City on five occasions to demand payment from Deyto; and that he likewise went to Ang's residence at No. 4 Sabucoy<sup>[14]</sup> Street, San Francisco del Monte, Quezon City to demand payment.<sup>[15]</sup>

On cross-examination, Pua testified that no rice deliveries were in fact made by Manlar at Deyto's Bulusan Street residence; that Deyto guaranteed Ang's checks, although the guarantee was made verbally; that although he ordered Manlar's drivers to deliver rice at Deyto's residence at Bulusan Street, the deliveries would actually end up at Ang's Sabucoy residence.<sup>[16]</sup>

On the other hand, the defense presented three witnesses: Deyto, her son Jose D. Ang, and Homer Petallano (Petallano), Chinabank del Monte branch Operations Head. Deyto testified that she did not know Pua; that Pua was a liar and that she did not enter into a contract with him for the purchase and delivery of rice; that she did not receive at any time any rice delivery from Manlar; that while she had a house at No. 93 Bulusan Street, La Loma, Quezon City, she actually resided in Santiago City, Isabela; that she met Pua for the first time when the latter went to her La Loma residence sometime in November or December 2000 looking for Ang, and claiming that Ang was indebted to Manlar; that she had nothing to do with the obligations of Ang incurred for rice deliveries made to her or JD Grains Center, as Ang was not connected with JD Grains Center, and it was her son, Jose D. Ang, who managed and ran the business; that all the checks issued to Manlar were drawn by Ang from her own bank account, as a businessperson in her own right and with her own business and receipts; that as of 2000, Ang was the proprietress of Jane Commercial with address at No. 49 Corumi Street, Masambong, San Francisco del Monte, Quezon City, and not at No. 93 Bulusan Street, La Loma, Quezon City; that the last time she saw Ang was in June 2000, during the blessing of Ang's Sabucoy residence; that she was not on talking terms with her daughter as early as June 2000 on account of Ang's activities and involvements; that one of Ang's children was living with her after the child was recovered from a kidnapping perpetrated by Ang's best friend; that Ang's other child lived with the child's father; and that Ang's whereabouts could not be ascertained.<sup>[17]</sup>

Jose D. Ang, on the other hand, testified that he is Deyto's son; that from the start, JD Grains Center has been under his supervision and control as Manager and Deyto had no participation in the actual operation thereof; that JD Grains Center was registered in the name of Deyto for convenience, to avoid jealousy or intrigue

among his siblings, and because they used Deyto's properties as collateral to borrow money for the business; that Ang was originally an agent of JD Grains Center, but was removed in 1997 for failure to remit her collections.<sup>[18]</sup>

Finally, Petallano testified that he was the Operations Head of Chinabank del Monte branch and that Ang is the sole owner and depositor of the account from which the subject checks were drawn.<sup>[19]</sup>

### ***Ruling of the Trial Court***

On November 22, 2007, a Decision<sup>[20]</sup> was rendered by the trial court in Civil Case No. Q-00-42527, the dispositive portion of which reads, as follows:

WHEREFORE, premises considered, judgment is hereby rendered finding the defendants liable to the plaintiff jointly and severally and ordering them as follows:

1. To pay plaintiff actual damages in the sum of P3,843,200.00<sup>[21]</sup> plus interest [thereon] at 6% per annum reckoned from the time of demand up to the time of payment thereof;
2. To pay plaintiff attorney's fees in the sum of P200,000.00 plus P2,500.00 as per appearance fee; and
3. To pay the costs of this suit.

SO ORDERED.<sup>[22]</sup>

Essentially, the trial court believed Pua's declarations that both Deyto and Ang personally transacted with him in purchasing rice from Manlar for JD Grains Center — with Ang paying for the deliveries with her personal checks and his testimony that both Deyto and Ang received Manlar's rice deliveries. For these reasons, the trial court ruled that both defendants should be held solidarily liable for the unpaid and outstanding Manlar account.

### ***Ruling of the Court of Appeals***

Deyto went up to the CA on appeal, assailing the Decision of the trial court and claiming that there was no evidence to show her participation in the transactions between Manlar and Ang, or that rice deliveries were even made to her; that she had no legal obligation to pay Manlar what Ang owed the latter in her personal capacity; that the evidence proved that Ang had overpaid Manlar; that the Complaint in Civil Case No. Q-00-42527 was defective for lack of the required board resolution authorizing Pua to sign the Complaint, verification, and certification against forum shopping on behalf of Manlar; and that the trial court erred in not awarding damages in her favor.

On October 30, 2009, the CA issued the assailed Decision, which held thus:

WHEREFORE, premises considered, the assailed Decision dated November 22, 2007 in Civil Case No. Q-00-42527 of the Regional Trial Court, Branch 215, Quezon City is REVERSED and SET ASIDE, and a new one entered, DISMISSING the complaint for lack of merit.

SO ORDERED.<sup>[23]</sup>

The CA held that in the absence of a board resolution from Manlar authorizing Pua to sign the verification and certification against forum shopping, the Complaint in Civil Case No. Q-00-42527 should have been dismissed; the subsequent submission on June 7, 2001 — or six months after the filing of the case — of the notarized minutes of a special meeting of Manlar's board of directors cannot have the effect of curing or amending the defective Complaint, as Revised Supreme Court Circular No. 28-91<sup>[24]</sup> enjoins strict compliance. Substantial compliance does not suffice.

The CA added that the trial court's Decision overlooked, misapprehended, and failed to appreciate important facts and circumstances of the case. Specifically, it held that Manlar failed to present documentary evidence to prove deliveries of rice to Deyto, yet the trial court sweepingly concluded that she took actual delivery of Manlar's rice. Likewise, Pua's declaration that Manlar delivered rice to Deyto at her La Loma residence was not based on personal knowledge or experience, but on Manlar's drivers' supposed accounts of events. Because these drivers were not called to testify on such fact or claim, the CA held that Pua's testimony regarding Deyto's alleged acceptance of rice deliveries from Manlar was hearsay.

The appellate court conceded that if Ang indeed contracted with Manlar, she did so on her own; the evidence failed to indicate that Deyto had any participation in the supposed transactions between her daughter and Manlar. The record reveals that Deyto and Ang owned separate milling and grains businesses: JD Grains Center and Janet Commercial Store. If Ang did business with Manlar, it is likely that she did so on her own or in her personal capacity, and not for and in behalf of Deyto's JD Grains Center. Besides, the subject checks were drawn against Ang's personal bank account, therefore Ang, not Deyto is bound to make good on the dishonored checks.

Thus, the CA concluded that there is no legal basis to hold Deyto solidarily liable with Ang for what the latter may owe Manlar.

Manlar moved for reconsideration, but in its February 9, 2010 Resolution, the CA stood its ground. Hence, Manlar took the present recourse.

### **Issues**

Manlar raises the following issues in its Petition:

- 1. THE COURT OF APPEALS COMMITTED CLEAR REVERSIBLE ERROR WHEN IT SET ASIDE THE JUDGMENT OF THE TRIAL COURT BY SWEEPINGLY AND BASELESSLY CONCLUDING THAT THE VERIFICATION AND CERTIFICATE AGAINST FORUM SHOPPING IN THE COMPLAINT WERE ALLEGEDLY "DEFECTIVE" IN THAT PABLO PUA, THE SALES MANAGER, WAS SUPPOSEDLY "NOT**