

## THIRD DIVISION

[ G.R. No.175822, October 23, 2013 ]

**CALIFORNIA CLOTHING, INC. AND MICHELLE S. YBAÑEZ,  
PETITIONERS, VS. SHIRLEY G. QUIÑONES, RESPONDENT.**

### D E C I S I O N

**PERALTA, J.:**

Assailed in this petition for review on *certiorari* under Rule 45 of the ; Rules of Court are the Court of Appeals Decision<sup>[1]</sup> dated August 3, 2006 and Resolution<sup>[2]</sup> dated November 14, 2006 in CA-G.R. CV No. 80309. The assailed decision reversed and set aside the June 20, 2003 Decision<sup>[3]</sup> of the Regional Trial Court of Cebu City (RTC), Branch 58, in Civil Case No. CEB-26984; while the assailed. resolution denied the motion for reconsideration filed by petitioner Michelle Ybañez (Ybañez).

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

On July 25, 2001, respondent Shirley G. Quiñones, a Reservation Ticketing Agent of Cebu Pacific Air in Lapu Lapu City, went inside the Guess USA Boutique at the second floor of Robinson's Department Store (Robinson's) in Cebu City. She fitted four items: two jeans, a blouse and a shorts, then decided to purchase the black jeans worth P2,098.00.<sup>[4]</sup> Respondent allegedly paid to the cashier evidenced by a receipt<sup>5</sup> issued by the store.<sup>[6]</sup> While she was walking through the skywalk connecting Robinson's and Mercury Drug Store (Mercury) where she was heading next, a Guess employee approached and informed her that she failed to pay the item she got. She, however, insisted that she paid and showed the employee the receipt issued in her favor.<sup>[7]</sup> She then suggested that they talk about it at the Cebu Pacific Office located at the basement of the mall. She first went to Mercury then met the Guess employees as agreed upon.<sup>[8]</sup>

When she arrived at the Cebu Pacific Office, the Guess employees allegedly subjected her to humiliation in front of the clients of Cebu Pacific and repeatedly demanded payment for the black jeans.<sup>[9]</sup> They supposedly even searched her wallet to check how much money she had, followed by another argument. Respondent, thereafter, went home.<sup>[10]</sup>

On the same day, the Guess employees allegedly gave a letter to the Director of Cebu Pacific Air narrating the incident, but the latter refused to receive it as it did not concern the office and the same took place while respondent was off duty.<sup>[11]</sup> Another letter was allegedly prepared and was supposed to be sent to the Cebu Pacific Office in Robinson's, but the latter again refused to receive it.<sup>[12]</sup> Respondent also claimed that the Human Resource Department (HRD) of Robinson's was furnished said letter and the latter in fact conducted an investigation for purposes of

canceling respondent's Robinson's credit card. Respondent further claimed that she was not given a copy of said damaging letter.<sup>[13]</sup> With the above experience, respondent claimed to have suffered physical anxiety, sleepless nights, mental anguish, fright, serious apprehension, besmirched reputation, moral shock and social humiliation.<sup>[14]</sup> She thus filed the Complaint for Damages<sup>[15]</sup> before the RTC against petitioners California Clothing, Inc. (California Clothing), Excelsis Villagonzalo (Villagonzalo), Imelda Hawayon (Hawayon) and Ybañez. She demanded the payment of moral, nominal, and exemplary damages, plus attorney's fees and litigation expenses.<sup>[16]</sup>

In their Answer,<sup>[17]</sup> petitioners and the other defendants admitted the issuance of the receipt of payment. They claimed, however, that instead of the cashier (Hawayon) issuing the official receipt, it was the invoicer (Villagonzalo) who did it manually. They explained that there was miscommunication between the employees at that time because prior to the issuance of the receipt, Villagonzalo asked Hawayon "Ok na?," and the latter replied "Ok na," which the former believed to mean that the item has already been paid.<sup>[18]</sup> Realizing the mistake, Villagonzalo rushed outside to look for respondent and when he saw the latter, he invited her to go back to the shop to make clarifications as to whether or not payment was indeed made. Instead, however, of going back to the shop, respondent suggested that they meet at the Cebu Pacific Office. Villagonzalo, Hawayon and Ybañez thus went to the agreed venue where they talked to respondent.<sup>[19]</sup> They pointed out that it appeared in their conversation that respondent could not recall whom she gave the payment.<sup>[20]</sup> They emphasized that they were gentle and polite in talking to respondent and it was the latter who was arrogant in answering their questions.<sup>[21]</sup> As counterclaim, petitioners and the other defendants sought the payment of moral and exemplary damages, plus attorney's fees and litigation expenses.<sup>[22]</sup>

On June 20, 2003, the RTC rendered a Decision dismissing both the complaint and counterclaim of the parties. From the evidence presented, the trial court concluded that the petitioners and the other defendants believed in good faith that respondent failed to make payment. Considering that no motive to fabricate a lie could be attributed to the Guess employees, the court held that when they demanded payment from respondent, they merely exercised a right under the honest belief that no payment was made. The RTC likewise did not find it damaging for respondent when the confrontation took place in front of Cebu Pacific clients, because it was respondent herself who put herself in that situation by choosing the venue for discussion. As to the letter sent to Cebu Pacific Air, the trial court also did not take it against the Guess employees, because they merely asked for assistance and not to embarrass or humiliate respondent. In other words, the RTC found no evidence to prove bad faith on the part of the Guess employees to warrant the award of damages.<sup>[23]</sup>

On appeal, the CA reversed and set aside the RTC decision, the dispositive portion of which reads:

**WHEREFORE**, the instant appeal is **GRANTED**. The decision of the Regional Trial Court of Cebu City, Branch 58, in Civil Case No. CEB-26984 (for: Damages) is hereby **REVERSED and SET ASIDE**. Defendants

Michelle Ybañez and California Clothing, Inc. are hereby ordered to pay plaintiff-appellant Shirley G. Quiñones jointly and solidarily moral damages in the amount of Fifty Thousand Pesos (P50,000.00) and attorney's fees in the amount of Twenty Thousand Pesos (P20,000.00).

**SO ORDERED.**<sup>[24]</sup>

While agreeing with the trial court that the Guess employees were in good faith when they confronted respondent inside the Cebu Pacific Office about the alleged non-payment, the CA, however, found preponderance of evidence showing that they acted in bad faith in sending the demand letter to respondent's employer. It found respondent's possession of both the official receipt and the subject black jeans as evidence of payment.<sup>[25]</sup> Contrary to the findings of the RTC, the CA opined that the letter addressed to Cebu Pacific's director was sent to respondent's employer not merely to ask for assistance for the collection of the disputed payment but to subject her to ridicule, humiliation and similar injury such that she would be pressured to pay.<sup>[26]</sup> Considering that Guess already started its investigation on the incident, there was a taint of bad faith and malice when it dragged respondent's employer who was not privy to the transaction. This is especially true in this case since the purported letter contained not only a narrative of the incident but accusations as to the alleged acts of respondent in trying to evade payment.<sup>[27]</sup> The appellate court thus held that petitioners are guilty of abuse of right entitling respondent to collect moral damages and attorney's fees. Petitioner California Clothing Inc. was made liable for its failure to exercise extraordinary diligence in the hiring and selection of its employees; while Ybañez's liability stemmed from her act of signing the demand letter sent to respondent's employer. In view of Hawayon and Villagonzalo's good faith, however, they were exonerated from liability.<sup>[28]</sup>

Ybañez moved for the reconsideration<sup>[29]</sup> of the aforesaid decision, but the same was denied in the assailed November 14, 2006 CA Resolution.

Petitioners now come before the Court in this petition for review on *certiorari* under Rule 45 of the Rules of Court based on the following grounds:

I.

THE HONORABLE COURT OF APPEALS ERRED IN FINDING THAT THE LETTER SENT TO THE CEBU PACIFIC OFFICE WAS MADE TO SUBJECT HEREIN RESPONDENT TO RIDICULE, HUMILIATION AND SIMILAR INJURY.

II.

THE HONORABLE COURT OF APPEALS ERRED IN AWARDING MORAL DAMAGES AND ATTORNEY'S FEES.<sup>[30]</sup>

The petition is without merit.

Respondent's complaint against petitioners stemmed from the principle of abuse of

rights provided for in the Civil Code on the chapter of human relations. Respondent cried foul when petitioners allegedly embarrassed her when they insisted that she did not pay for the black jeans she purchased from their shop despite the evidence of payment which is the official receipt issued by the shop. The issuance of the receipt notwithstanding, petitioners had the right to verify from respondent whether she indeed made payment if they had reason to believe that she did not. However, the exercise of such right is not without limitations. Any abuse in the exercise of such right and in the performance of duty causing damage or injury to another is actionable under the Civil Code. The Court's pronouncement in *Carpio v. Valmonte*<sup>[31]</sup> is noteworthy:

In the sphere of our law on human relations, the victim of a wrongful act or omission, whether done willfully or negligently, is not left without any remedy or recourse to obtain relief for the damage or injury he sustained. Incorporated into our civil law are not only principles of equity but also universal moral precepts which are designed to indicate certain norms that spring from the fountain of good conscience and which are meant to serve as guides for human conduct. First of these fundamental precepts is the principle commonly known as "abuse of rights" under Article 19 of the Civil Code. It provides that "*Every person must, in the exercise of his rights and in the performance of his duties, act with justice, give everyone his due and observe honesty and good faith.*" x x<sup>[32]</sup>

The elements of abuse of rights are as follows: (1) there is a legal right or duty; (2) which is exercised in bad faith; (3) for the sole intent of prejudicing or injuring another.<sup>[33]</sup>

In this case, petitioners claimed that there was a miscommunication between the cashier and the invoicer leading to the erroneous issuance of the receipt to respondent. When they realized the mistake, they made a cash count and discovered that the amount which is equivalent to the price of the black jeans was missing. They, thus, concluded that it was respondent who failed to make such payment. It was, therefore, within their right to verify from respondent whether she indeed paid or not and collect from her if she did not. However, the question now is whether such right was exercised in good faith or they went overboard giving respondent a cause of action against them.

Under the abuse of rights principle found in Article 19 of the Civil Code, a person must, in the exercise of legal right or duty, act in good faith. He would be liable if he instead acted in bad faith, with intent to prejudice another.<sup>[34]</sup> Good faith refers to the state of mind which is manifested by the acts of the individual concerned. It consists of the intention to abstain from taking an unconscionable and unscrupulous advantage of another.<sup>[35]</sup> Malice or bad faith, on the other hand, implies a conscious and intentional design to do a wrongful act for a dishonest purpose or moral obliquity.<sup>[36]</sup>

Initially, there was nothing wrong with petitioners asking respondent whether she paid or not. The Guess employees were able to talk to respondent at the Cebu