

FIRST DIVISION

[G.R. No. 152262, February 15, 2012]

FELIMON MANGUIOB, PETITIONER, VS. JUDGE PAUL T. ARCANGEL, RTC, BRANCH 12, DAVAO CITY AND ALEJANDRA VELASCO, RESPONDENTS.

D E C I S I O N

LEONARDO-DE CASTRO, J.:

This is a petition for review on *certiorari*^[1] seeking to modify the August 31, 2001 Decision^[2] and January 25, 2002 Resolution^[3] of the Court of Appeals in CA-G.R. CV No. 64147, which affirmed with modification the March 5, 1999 Decision^[4] of the Regional Trial Court (RTC) of Davao City, Branch 12 in Civil Case No. 23,313-94.

On May 3, 1994, Felimon Manguiob (Manguiob) and Alejandra Velasco (Velasco) entered into a partnership under the name of "Baculin Enterprises," for the purchase and sale of agricultural and forest products, and the operation of a general merchandise store at Baculin, Baganga, Davao Oriental.^[5] Velasco provided the capital requirements of the partnership, including the warehouse and the store needed for the business, while Manguiob, being the industrial partner, managed the partnership's operations.^[6]

On September 14, 1994, the partnership ceased to operate and was considered dissolved for all intents and purposes.^[7]

On December 12, 1994, Velasco filed a Complaint^[8] for Sum of Money, Accounting, and Damages against Manguiob, before the RTC, Branch 12 of Davao City. Velasco alleged that while Baculin Enterprises appeared to have flourished on record, the actual cash on hand, which was mostly with Manguiob, did not reflect such financial profitability. Thus, Velasco decided to dissolve the partnership, as allowed in their Articles of Partnership,^[9] and had the records of the partnership audited. Velasco claimed that her fears were confirmed when the audit report showed that Baculin Enterprises made a net profit of at least P252,673.50 from May 1994 to September 14, 1994. According to Velasco, she was entitled to 60% of this, amounting to P151,604.10, while Manguiob was entitled to 40%, equivalent to P101,069.40. Velasco also asked that Manguiob return the amount of P203,156.30, representing the balance of her P320,000.00 capital investment, as Manguiob returned only the amount of P116,843.20 to her. Velasco averred that Manguiob not only refused to return the above amounts, but also refused to make an accounting of his management of Baculin Enterprises. Velasco further alleged that Manguiob, in bad faith, had used the partnership funds to start his own buy and sell business even before their partnership was dissolved. Because of this, Velasco prayed for the trial court to direct Manguiob to do the following:

- a. To pay plaintiff the amount of P354,760.00 as plaintiff's contribution and share in the profits of the partnership;
- b. To pay plaintiff the amount of 10% a month of P354,760.00 as unrealized profit of the partnership;
- c. To account for the money of the partnership used for the personal business of the defendant;
- d. To pay plaintiff the amount of P25,000.00 as attorney's fees. [10]

Velasco likewise prayed for the trial court to grant her such other relief as may be warranted by the circumstances. [11]

Manguiob, in his Answer, [12] denied having received P320,000.00 from Velasco and alleged that she only infused the sum of P200,000.00 into their partnership. He contended that he did not have possession of the partnership's cash, and that it was Velasco who had received the proceeds of the deliveries he made to Interco Davao as shown by the various receipts [13] attached to his Answer. Manguiob also averred that if the records of Baculin Enterprises had already been audited, then that audit was not based on the records he had submitted to Velasco. Manguiob further claimed that it was not then known if the partnership had gained profit, that there was no basis for the return of Velasco's capital investment, and that the amount of P116,843.20 was not part of Velasco's capital investment but was the total amount of the remittances he made to Velasco from the proceeds of his deliveries. Manguiob said Velasco's monetary claim had no basis especially since she was practically in control of the partnership's finances. [14]

On October 18, 1995, Velasco and Manguiob jointly submitted to the RTC a "Partial Stipulation of Facts and Statement of the Issues," [15] with the pertinent section quoted as follows:

The Facts

1. That, the plaintiff and defendant established a Partnership on May 3, 1994 to engage in the Buy and Sell of Agricultural products and operation of a General Merchandise Store at Baculin, Baganga, Davao Oriental, and for which purpose the parties executed an Articles of Partnership, a copy of which is attached to the complaint as Annex "A" thereof;
2. That, the partnership has ceased to operate and [for] all intents and purposes considered dissolved as of September 14, 1994;
3. That, as per records submitted by the defendant, from May 8, 1994 to September 9, 1994 the amount of copra purchased is P1,261,418.45 as shown in the statement, a copy of which is hereto attached or Annex "A" hereof;
4. That, from May 31, 1994 up to September 10, 1994, the total copra

sales amounted to P1,430,904.40, net of hauling expenses, as shown in the statement attached hereto and marked as Annex "B" hereof;

5. That, from May 1994 to September 14, 1994 the total sales of General Merchandise as per records of defendant is ₱930,640.50 as shown in the statement hereto attached as Annex "C" hereof;

The Issues

1. How much was the capital contribution of plaintiff in the Partnership?
2. How much of the proceeds from the sales of copra from May 31, 1994 to August 24, 1994 were returned by plaintiff to defendant[?]
3. How much net profit, if any, was realized by the Partnership during its operation from May 1994 up to September 14, 1994[?]
4. Are the parties entitled to their respective claims for [damages][?]

On March 5, 1999, the RTC rendered its Decision, the dispositive portion of which reads:

WHEREFORE, in view of the foregoing, judgment is hereby rendered in favor of the plaintiff and against the defendant, ordering the latter to pay to the former the sum of P498,245.52, as the principal account; plus interest thereon at the rate of 12% per annum from September 15, 1994 until the full account is paid, the sum of P25,000.00 as attorney's fees and the costs of suit.

The other claims of the parties are hereby denied.^[16]

The RTC found that the capital contributed by Velasco to the partnership was P400,000.00, as established by clear, convincing, and competent evidence.^[17] Anent the second issue, the RTC averred that while Velasco may have received the proceeds of the sales of copra from May 31, 1994 to August 24, 1994, such proceeds were returned to Manguioy to be used in the purchase of more copra and other merchandise for their business, as evidenced by receipts^[18] signed by Manguioy or his wife. Thus, the RTC said that "except for the proceeds of the sales of copra on September 10, 1994, in the amount of P116,954.40, all the proceeds of the sales of copra were either retained by, or returned to, [Manguioy]."^[19] As for the net profit earned by the partnership, the RTC proclaimed that it was P191,999.98, as declared by Manguioy's own accountant. Thus, the RTC ruled that Velasco was entitled to the amount of P498,245.52 representing her capital contribution less the proceeds from the copra sales made on September 10, 1994, which she retained, plus her 60% share in the net profit.^[20]

Manguioy appealed this decision to the Court of Appeals, assigning the following errors:

- I. THAT THE LOWER COURT GRAVELY ERRED IN ORDERING DEFENDANT TO PAY PLAINTIFF THE SUM OF P498,245.52 AS THE PROCEEDS OF COPRA SALES WHICH THE PLAINTIFF HAD TAKEN FROM DEFENDANT AMOUNTED TO P453,859.10 AND THAT THE NET INCOME OF THE PARTNERSHIP OF THE PLAINTIFF AND DEFENDANT AMOUNTED TO P191,999.88 TO WHICH PLAINTIFF'S SHARE IS 60% AND THE SHARE OF THE DEFENDANT FROM SAID NET INCOME IS 40% AND, FURTHERMORE, THE TOTAL ASSETS IN THE POSSESSION OF THE PLAINTIFF AT THE CLOSURE OF THE BUSINESS OF PLAINTIFF AND DEFENDANT, THE BACULIN MARKETING AS OF SEPTEMBER 14, 1994 AND AVAILABLE FOR DISTRIBUTION, AMOUNTED TO P215,559.06;
- II. THAT THE LOWER COURT GRAVELY ERRED IN ORDERING DEFENDANT TO PAY PLAINTIFF THE INTEREST ON THE ALLEGED PRINCIPAL ACCOUNT OF P498,245.52 AT THE RATE OF 12% PER ANNUM FROM SEPTEMBER 15, 1994 UNTIL THE FULL ACCOUNT IS PAID, AS THERE IS NO WRITTEN STIPULATION AS TO THE PAYMENT OF INTEREST IN ACCORDANCE WITH ARTICLE 1956 OF THE NEW CIVIL CODE OF THE PHILIPPINES; AND
- III. THAT THE LOWER COURT GRAVELY ERRED IN ORDERING DEFENDANT TO PAY PLAINTIFF THE [AMOUNT] OF P25,000.00 AS ATTORNEY'S FEES, AS NO RIGHT TO SUCH FEE ACCRUE IN THE CASE AT BAR IN ACCORDANCE WITH ART. 2208 OF THE NEW CIVIL CODE OF THE PHILIPPINES.^[21]

On August 31, 2001, the Court of Appeals modified the RTC's decision with respect to the amount due Velasco, the rate of interest imposable, and the award of attorney's fees, to wit:

IN THE LIGHT OF ALL THE FOREGOING, the Decision appealed from is **AFFIRMED** with the following modifications:

(1) The Appellant is obliged to pay to Appellee the amount of P401,640.97 with interest thereon at the rate of 6% per annum computed from the time the Court *a quo's* Decision and, an interest at the rate of 12 per annum from the time of the finality of this Decision up to the time that the obligation of the Appellant to pay Appellee is paid in full:

(2) The award of attorney's fees is deleted.^[22]

The Court of Appeals, after analyzing the records, concluded that while Velasco withheld the total net amount of P113,558.95, Manguiob received and retained a total of P432,067.05, inclusive of the P400,000.00 capital infused by Velasco. The Court of Appeals agreed with the findings of the RTC that the partnership generated a profit of P191,999.98, and from this, held that Velasco was entitled to 60% or P115,199.92, according to her agreement with Manguiob. The Court of Appeals said

that since Velasco retained P113,558.95 out of the P115,199.92 due her, Manguib should only remit to her the difference of P1,640.97, in addition to her P400,000.00 capital investment.^[23]

On October 11, 2001, Manguib moved^[24] for the Court of Appeals to reconsider its Decision. This, however, was denied in a Resolution dated January 25, 2002, to wit:

After due consideration of the "**Motion for Reconsideration**" of the Appellant and the "**Comment**" thereon of the Appellee, We find said motion barren of merit and hereby deny the same.^[25]

Manguib is now positing the following assignment of errors:

(1)

THE HONORABLE 13TH DIVISION OF THE COURT OF APPEALS GRAVELY AND SERIOUSLY ERRED IN NOT CORRECTLY CONSIDERING IN THE ASSAILED DECISION, THE NON-CASH ASSETS OF BACULIN (MARKETING) ENTERPRISE AS OF SEPTEMBER 14, 1994 AND THE JOINT VALUATION IN THE AMOUNT OF P 215,559.06 PLACED ON THE SAID NON-CASH ASSETS BY THE CERTIFIED PUBLIC ACCOUNTANTS OF THE PETITIONER AND THE PRIVATE RESPONDENT WHICH WERE DETERMINED BY BOTH ACCOUNTANTS IN COMPLIANCE WITH ORDERS OF THE HONORABLE COURT A QUO, THE REGIONAL TRIAL COURT, 11TH JUDICIAL REGION, BRANCH 12, DAVAO CITY.

(2)

THE HONORABLE 13TH DIVISION OF THE COURT OF APPEALS SERIOUSLY ERRED IN NOT CONSIDERING THE NON-CASH ASSETS OF BACULIN (MARKETING) ENTERPRISE VALUED AT P215,559.06 WHICH HAS BEEN IN THE CUSTODY AND CONTROL OF THE PRIVATE RESPONDENT SINCE SEPTEMBER 14, 1994 AS RETAINED BY THE PRIVATE RESPONDENT HERSELF.^[26]

Manguib says he does not wish to further challenge the Court of Appeals' computation, but asks that the value of the non-cash assets, as determined by the parties' accountants, pursuant to the RTC's orders,^[27] be deducted from the amount he is obligated to return to Velasco, to wit:

Obligation of the petitioner per Court of Appeals Decision	P 401,640.97
Less: Non Cash assets in the custody and control of Alejandra Velasco	P 215,559.06
Obligations to be paid by the	