

SECOND DIVISION

[G.R. No. 158086, February 14, 2008]

**ASJ CORPORATION and ANTONIO SAN JUAN, Petitioners, vs.
SPS. EFREN & MAURA EVANGELISTA, Respondents.**

DECISION

QUISUMBING, J.:

For review on certiorari is the Decision^[1] dated April 30, 2003 of the Court of Appeals in CA-G.R. CV No. 56082, which had affirmed the Decision^[2] dated July 8, 1996 of the Regional Trial Court (RTC) of Malolos, Bulacan, Branch 9 in Civil Case No. 745-M-93. The Court of Appeals, after applying the doctrine of piercing the veil of corporate fiction, held petitioners ASJ Corporation (ASJ Corp.) and Antonio San Juan solidarily liable to respondents Efren and Maura Evangelista for the unjustified retention of the chicks and egg by-products covered by Setting Report Nos. 108 to 113.^[3]

The pertinent facts, as found by the RTC and the Court of Appeals, are as follows:

Respondents, under the name and style of R.M. Sy Chicks, are engaged in the large-scale business of buying broiler eggs, hatching them, and selling their hatchlings (chicks) and egg by-products^[4] in Bulacan and Nueva Ecija. For the incubation and hatching of these eggs, respondents availed of the hatchery services of ASJ Corp., a corporation duly registered in the name of San Juan and his family.

Sometime in 1991, respondents delivered to petitioners various quantities of eggs at an agreed service fee of 80 centavos per egg, whether successfully hatched or not. Each delivery was reflected in a "Setting Report" indicating the following: the number of eggs delivered; the date of setting or the date the eggs were delivered and laid out in the incubators; the date of candling or the date the eggs, through a lighting system, were inspected and determined if viable or capable of being hatched into chicks; and the date of hatching, which is also the date respondents would pick-up the chicks and by-products. Initially, the service fees were paid upon release of the eggs and by-products to respondents. But as their business went along, respondents' delays on their payments were tolerated by San Juan, who just carried over the balance, as there may be, into the next delivery, out of keeping goodwill with respondents.

From January 13 to February 3, 1993, respondents had delivered to San Juan a total of 101,3[50]^[5] eggs, detailed as follows:^[6]

<u>Date Set</u>	<u>SR</u> <u>Number</u>	<u>No. of eggs</u> <u>delivered</u>	<u>Date</u> <u>hatched/Pick-up</u> <u>date</u>
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1/13/1993	SR 108	32,566 eggs	February 3, 1993
1/20/1993	SR 109	21,485 eggs	February 10, 1993
1/22/1993	SR 110	7,213 eggs	February 12, 1993
1/28/1993	SR 111	14,495 eggs	February 18, 1993
1/30/1993	SR 112	15,346 eggs	February 20, 1993
2/3/1993	SR 113	<u>10,245</u> eggs	February 24, 1993
TOTAL		<u>101,350 eggs</u>	

On February 3, 1993, respondent Efren went to the hatchery to pick up the chicks and by-products covered by Setting Report No. 108, but San Juan refused to release the same due to respondents' failure to settle accrued service fees on several setting reports starting from Setting Report No. 90. Nevertheless, San Juan accepted from Efren 10,245 eggs covered by Setting Report No. 113 and P15,000.00^[8] in cash as partial payment for the accrued service fees.

On February 10, 1993, Efren returned to the hatchery to pick up the chicks and by-products covered by Setting Report No. 109, but San Juan again refused to release the same unless respondents fully settle their accounts. In the afternoon of the same day, respondent Maura, with her son Anselmo, tendered P15,000.00^[9] to San Juan, and tried to claim the chicks and by-products. She explained that she was unable to pay their balance because she was hospitalized for an undisclosed ailment. San Juan accepted the P15,000.00, but insisted on the full settlement of respondents' accounts before releasing the chicks and by-products. Believing firmly that the total value of the eggs delivered was more than sufficient to cover the outstanding balance, Maura promised to settle their accounts only upon proper accounting by San Juan. San Juan disliked the idea and threatened to impound their vehicle and detain them at the hatchery compound if they should come back unprepared to fully settle their accounts with him.

On February 11, 1993, respondents directed their errand boy, Allan Blanco, to pick up the chicks and by-products covered by Setting Report No. 110 and also to ascertain if San Juan was still willing to settle amicably their differences. Unfortunately, San Juan was firm in his refusal and reiterated his threats on respondents. Fearing San Juan's threats, respondents never went back to the hatchery.

The parties tried to settle amicably their differences before police authorities, but to no avail. Thus, respondents filed with the RTC an action for damages based on petitioners' retention of the chicks and by-products covered by Setting Report Nos. 108 to 113.

On July 8, 1996, the RTC ruled in favor of respondents and made the following findings: (1) as of Setting Report No. 107, respondents owed petitioners P102,336.80;^[10] (2) petitioners withheld the release of the chicks and by-products covered by Setting Report Nos. 108-113;^[11] and (3) the retention of the chicks and by-products was unjustified and accompanied by threats and intimidations on respondents.^[12] The RTC disregarded the corporate fiction of ASJ Corp.,^[13] and held it and San Juan solidarily liable to respondents for P529,644.80 as actual

damages, P100,000.00 as moral damages, P50,000.00 as attorney's fees, plus interests and costs of suit. The decretal portion of the decision reads:

WHEREFORE, based on the evidence on record and the laws/jurisprudence applicable thereon, judgment is hereby rendered ordering the defendants to pay, jointly and severally, unto the plaintiffs the amounts of P529,644.80, representing the value of the hatched chicks and by-products which the plaintiffs on the average expected to derive under Setting Reports Nos. 108 to 113, inclusive, with legal interest thereon from the date of this judgment until the same shall have been fully paid, P100,000.00 as moral damages and P50,000.00 as attorney's fees, plus the costs of suit.

SO ORDERED.^[14]

Both parties appealed to the Court of Appeals. Respondents prayed for an additional award of P76,139.00 as actual damages for the cost of other unreturned by-products and P1,727,687.52 as unrealized profits, while petitioners prayed for the reversal of the trial court's entire decision.

On April 30, 2003, the Court of Appeals denied both appeals for lack of merit and affirmed the trial court's decision, with the slight modification of including an award of exemplary damages of P10,000.00 in favor of respondents. The Court of Appeals, applying the doctrine of piercing the veil of corporate fiction, considered ASJ Corp. and San Juan as one entity, after finding that there was no bona fide intention to treat the corporation as separate and distinct from San Juan and his wife Iluminada. The *fallo* of the Court of Appeals' decision reads:

WHEREFORE, in view of the foregoing, the Decision appealed from is hereby **AFFIRMED**, with the **slight modification** that exemplary damages in the amount of P10,000.00 are awarded to plaintiffs.

Costs against defendants.

SO ORDERED.^[15]

Hence, the instant petition, assigning the following errors:

I.

THE HONORABLE COURT OF APPEALS GRIEVOUSLY ERRED IN HOLDING, AS DID THE COURT *A QUO*, THAT PETITIONERS WITHHELD/OR FAILED TO RELEASE THE CHICKS AND BY-PRODUCTS COVERED BY SETTING REPORT NOS. 108 AND 109.

II.

THE HONORABLE COURT OF APPEALS ERRED IN ADMITTING THE HEARSAY TESTIMONY OF MAURA EVANGELISTA SUPPORTIVE OF ITS FINDINGS THAT PETITIONERS WITHHELD/OR FAILED TO RELEASE THE CHICKS AND BY-PRODUCTS COVERED BY SETTING REPORT NOS. 108 AND 109.

III.

THE HONORABLE COURT OF APPEALS, AS DID THE COURT A *QUO*, ERRED IN NOT FINDING THAT RESPONDENTS FAILED TO RETURN TO THE PLANT TO GET THE CHICKS AND BY-PRODUCTS COVERED BY SETTING REPORT NOS. 110, 111, 112 AND 113.

IV.

THE HONORABLE COURT OF APPEALS ERRED IN HOLDING, AS DID THE COURT A *QUO*, THAT THE PIERCING OF THE VEIL OF CORPORATE ENTITY IS JUSTIFIED, AND CONSEQUENTLY HOLDING PETITIONERS JOINTLY AND SEVERALLY LIABLE TO PAY RESPONDENTS THE SUM OF P529,644. [80].

V.

THE HONORABLE COURT OF APPEALS ERRED IN HOLDING THAT PETITIONERS HAVE VIOLATED THE PRINCIPLES ENUNCIATED IN ART. 19 OF THE NEW CIVIL CODE AND CONSEQUENTLY IN AWARDING MORAL DAMAGES, EXEMPLARY DAMAGES AND ATTORNEY'S FEES.

VI.

THE HONORABLE COURT OF APPEALS ERRED IN NOT AWARDING PETITIONERS' COUNTERCLAIM. [16]

Plainly, the issues submitted for resolution are: *First*, did the Court of Appeals err when (a) it ruled that petitioners withheld or failed to release the chicks and by-products covered by Setting Report Nos. 108 and 109; (b) it admitted the testimony of Maura; (c) it did not find that it was respondents who failed to return to the hatchery to pick up the chicks and by-products covered by Setting Report Nos. 110 to 113; and (d) it pierced the veil of corporate fiction and held ASJ Corp. and Antonio San Juan as one entity? *Second*, was it proper to hold petitioners solidarily liable to respondents for the payment of P529,644.80 and other damages?

In our view, there are two sets of issues that the petitioners have raised.

The *first* set is factual. Petitioners seek to establish a set of facts contrary to the factual findings of the trial and appellate courts. However, as well established in our jurisprudence, only errors of law are reviewable by this Court in a petition for review under Rule 45. [17] The trial court, having had the opportunity to personally observe and analyze the demeanor of the witnesses while testifying, is in a better position to pass judgment on their credibility. [18] More importantly, factual findings of the trial court, when amply supported by evidence on record and affirmed by the appellate court, are binding upon this Court and will not be disturbed on appeal. [19] While there are exceptional circumstances [20] when these findings may be set aside, none of them is present in this case.

Based on the records, as well as the parties' own admissions, the following facts were uncontroverted: (1) As of Setting Report No. 107, respondents were indebted

to petitioners for P102,336.80 as accrued service fees for Setting Report Nos. 90 to 107;^[21] (2) Petitioners, based on San Juan's own admission,^[22] did not release the chicks and by-products covered by Setting Report Nos. 108 and 109 for failure of respondents to fully settle their previous accounts; and (3) Due to San Juan's threats, respondents never returned to the hatchery to pick up those covered by Setting Report Nos. 110 to 113.^[23]

Furthermore, although no hard and fast rule can be accurately laid down under which the juridical personality of a corporate entity may be disregarded, the following probative factors of identity justify the application of the doctrine of piercing the veil of corporate fiction^[24] in this case: (1) San Juan and his wife own the bulk of shares of ASJ Corp.; (2) The lot where the hatchery plant is located is owned by the San Juan spouses; (3) ASJ Corp. had no other properties or assets, except for the hatchery plant and the lot where it is located; (4) San Juan is in complete control of the corporation; (5) There is no bona fide intention to treat ASJ Corp. as a different entity from San Juan; and (6) The corporate fiction of ASJ Corp. was used by San Juan to insulate himself from the legitimate claims of respondents, defeat public convenience, justify wrong, defend crime, and evade a corporation's subsidiary liability for damages.^[25] These findings, being purely one of fact,^[26] should be respected. We need not assess and evaluate the evidence all over again where the findings of both courts on these matters coincide.

On the *second* set of issues, petitioners contend that the retention was justified and did not constitute an abuse of rights since it was respondents who failed to comply with their obligation. Respondents, for their part, aver that all the elements on abuse of rights were present. They further state that despite their offer to partially satisfy the accrued service fees, and the fact that the value of the chicks and by-products was more than sufficient to cover their unpaid obligations, petitioners still chose to withhold the delivery.

The crux of the controversy, in our considered view, is simple enough. Was petitioners' retention of the chicks and by-products on account of respondents' failure to pay the corresponding service fees unjustified? While the trial and appellate courts had the same decisions on the matter, suffice it to say that a modification is proper. Worth stressing, petitioners' act of withholding the chicks and by-products is entirely different from petitioners' unjustifiable acts of threatening respondents. The retention had legal basis; the threats had none.

To begin with, petitioners' obligation to deliver the chicks and by-products corresponds to three dates: the date of hatching, the delivery/pick-up date and the date of respondents' payment. On several setting reports, respondents made delays on their payments, but petitioners tolerated such delay. When respondents' accounts accumulated because of their successive failure to pay on several setting reports, petitioners opted to demand the full settlement of respondents' accounts as a condition precedent to the delivery. However, respondents were unable to fully settle their accounts.

Respondents' offer to partially satisfy their accounts is not enough to extinguish their obligation. Under Article 1248^[27] of the Civil Code, the creditor cannot be compelled to accept partial payments from the debtor, unless there is an express stipulation to that effect. More so, respondents cannot substitute or apply as their