

THIRD DIVISION

[G.R. NO. 160531, August 30, 2005]

L & L LAWRENCE FOOTWEAR, INC., SAE CHAE LEE AND JOHN DOE, PETITIONERS, VS. PCI LEASING AND FINANCE CORPORATION, RESPONDENT.

D E C I S I O N

PANGANIBAN, J.:

Under a financial leasing agreement, a finance company purchases, on behalf of or at the instance of the lessee, the equipment that the latter is interested to buy but has insufficient funds for. Simultaneous with the purchase, the finance company then leases the equipment to the lessee in consideration of the periodic payment of a fixed amount of rental. Recognized by this Court as fairly common transactions in the commercial world, such agreements have been accepted as genuine and legitimate.

The Case

Before us is a Petition for Review^[1] under Rule 45 of the Rules of Court, challenging the August 14, 2003 Decision^[2] of the Court of Appeals (CA) in CA-GR CV No. 70603. The decretal portion of the assailed Decision reads:

"WHEREFORE, premises considered, the *decision and order appealed from are hereby **AFFIRMED** in toto and the present appeal is hereby **DISMISSED** for utter lack of merit.*"

The Facts

The undisputed facts are narrated by petitioners as follows:

"PCI Leasing and L & L Lawrence entered into several "**LOAN**" contracts embodied in several Memoranda of Agreement and Disclosure Statements from 1994 up to 1997 involving various shoe making equipment. x x x.

"As a condition for the "loan" extended by PCI Leasing to L & L, the latter was also made to enter into several "LEASE CONTRACTS" embodied in numerous Lease Schedules whereby the imported shoe making equipment would be considered as the leased property. Pursuant to the agreement between the parties, L & L gave PCI Leasing a **THIRTY (30%) PERCENT GUARANTY DEPOSIT** for **ALL** the "leased contracts" between them in the total sum of **US\$359,525.90**. Furthermore, PCI Leasing received from L & L a total of **US\$1,164,380.42** as rental payments under the numerous Lease Schedules.

"Sae Chae Lee, the former President of L & L, was made to sign a x x x Continuing Guaranty of Lease Obligations dated 16 May 1994 securing the payment of the obligation of L & L under [a] **Lease Agreement dated 13 May 1994.**

"L & L, by reason of the economic crisis that hit the country coupled with the cancellation of the contracts with its buyers abroad and its labor problems, failed to meet its obligations on time. For this reason, L & L tried its best to negotiate with the PCI Leasing for a possible amicable settlement between the parties.

"In the course of the negotiation between the parties, PCI Leasing sent to L & L a letter dated 05 May 1998, stating that:

'Demand is hereby made on you to pay in full the outstanding balance in the amount of \$826,003.27 plus penalty charges amounting to \$6,329.05 on or before May 12, 1998 **or to surrender to us the various equipments** (please see attached lists) subject of Lease Schedule Nos.7760/7935/8081/8196/8312/8405/8451/8474/8593/8609/8663/9364/9432/9512/9704/9924/10041/10065/10067/10280/10441/10921...'

x x x x x x x x x

"On 16 December 1998, PCI Leasing filed a complaint for recovery of sum of money and/or personal property with prayer for the issuance of a writ of replevin against L & L Lawrence Footwear, Inc., Sae Chae Lee and a certain John Doe with the Regional Trial Court of Quezon City.

"On 28 January 1999, the x x x [t]rial [c]ourt issued an Order x x x granting the prayer of PCI Leasing for the issuance of a Writ of Replevin.

"The subject 'leased properties' were turned over to PCI Leasing, x x x as shown by the Sheriff's Reports dated 01 October 1999 and 06 December 1999. x x x.

"On 16 February 2000, PCI Leasing filed a motion to declare L & L and Sae Chae Lee in default for failure to file their Answer.

"The x x x [t]rial [c]ourt, in its Order dated 28 February 2000, declared L & L and Sae Chae Lee in default and allowed PCI Leasing to present its evidence ex-parte.

"L & L and Sae Chae Lee x x x filed a Motion to Set Aside Order of Default dated 06 March 2000 x x x.

"The x x x [t]rial [c]ourt x x x denied the Motion to Set Aside Order of Default and ordered the ex-parte presentation of the evidence for PCI Leasing on 10 April 2000.

"On 10 April 2000, PCI Leasing presented ex-parte its evidence before a Commissioner. PCI Leasing presented as its lone witness Ms. Theresa

Soriano, an Account Officer of the said corporation. x x x On the same hearing, the counsel of PCI Leasing orally offered the documentary exhibits.

"x x x [Petitioners] received a copy of the Decision dated 03 July 2000, the dispositive portion of which reads as follows:

"WHEREFORE, premises considered, judgment is hereby rendered in favor of the [respondent] and against [petitioners] L & L LAWRENCE FOOTWEAR, INC. and SAE CHAE LEE as follows:

"a) to pay [respondent] the amount of P32,909,836.61 representing the outstanding balance of the obligation as of March 3, 2000 including attorney's fees, legal expenses and other charges; and

"b) affirming [respondent's] right to the possession of the replevined properties as well as its entitlement to the possession of other properties subject matter of the lease agreement.

"SO ORDERED"

x x x x x x x x x

"[After the denial of their Motion for Reconsideration,] L & L and Sae Chae Lee filed a Notice of Appeal.

"The case was elevated to the Honorable Court of Appeals x x x."^[3]

Ruling of the Court of Appeals

Sustaining the trial court, the CA found the monetary award to be fully supported and substantiated by the evidence presented. It noted that the award, consisting of accrued rentals and penalties as well as the possession of the properties that were subject of replevin, were all in accord with the provisions of the Lease Agreement freely entered into by the parties.

Hence, this Petition.^[4]

Issues

Petitioners raise the following issues for our consideration:

"1. Whether a plaintiff is **AUTOMATICALLY ENTITLED** to the relief prayed for in its Complaint, by reason of the declaration in default, **WITHOUT** regard to the evidence presented in support of its claim;

"2. Whether a corporation can be held in **ESTOPPEL** by reason of the representation of its officer; and