

THIRD DIVISION

[G.R. No. 142591, April 30, 2003]

**JOSEPH CHAN, WILSON CHAN and LILY CHAN, PETITIONERS, vs.
BONIFACIO S. MACEDA, JR., [*] RESPONDENT.**

DECISION

SANDOVAL-GUTIERREZ, J.:

A judgment of default does not automatically imply admission by the defendant of the facts and causes of action of the plaintiff. The Rules of Court require the latter to adduce evidence in support of his allegations as an indispensable condition before final judgment could be given in his favor.^[1] The trial judge has to evaluate the allegations with the highest degree of objectivity and certainty. He may sustain an allegation for which the plaintiff has adduced sufficient evidence, otherwise, he has to reject it. In the case at bar, judicial review is imperative to avert the award of damages that is unreasonable and without evidentiary support.

Assailed in this petition for review under Rule 45 of the 1997 Rules of Civil Procedure, as amended, is the Decision^[2] dated June 17, 1999 of the Court of Appeals in CA-G.R. CV No. 57323, entitled "*Bonifacio S. Maceda, Jr. versus Joseph Chan, et. al.*," affirming *in toto* the Decision^[3] dated December 26, 1996 of the Regional Trial Court, Branch 160, Pasig City, in Civil Case No. 53044.

The essential antecedents are as follows:

On July 28, 1976, Bonifacio S. Maceda, Jr., herein respondent, obtained a P7.3 million loan from the Development Bank of the Philippines for the construction of his New Gran Hotel Project in Tacloban City.

Thereafter, on September 29, 1976, respondent entered into a building construction contract with Moreman Builders Co., Inc., (Moreman). They agreed that the construction would be finished not later than December 22, 1977.

Respondent purchased various construction materials and equipment in Manila. Moreman, in turn, deposited them in the warehouse of Wilson and Lily Chan, herein petitioners. **The deposit was free of charge.**

Unfortunately, Moreman failed to finish the construction of the hotel at the stipulated time. Hence, on February 1, 1978, respondent filed with the then Court of First Instance (CFI, now Regional Trial Court), Branch 39, Manila, an action for rescission and damages against Moreman, docketed as Civil Case No. 113498.

On November 28, 1978, the CFI rendered its Decision^[4] rescinding the contract between Moreman and respondent and awarding to the latter P 445,000.00 as

actual, moral and liquidated damages; **P20,000.00 representing the increase in the construction materials**; and P35,000.00 as attorney's fees. Moreman interposed an appeal to the Court of Appeals but the same was dismissed on March 7, 1989 for being dilatory. He elevated the case to this Court *via* a petition for review on certiorari. In a Decision^[5] dated February 21, 1990, we denied the petition. On April 23, 1990,^[6] an Entry of Judgment was issued.

Meanwhile, during the pendency of the case, respondent ordered petitioners to return to him the construction materials and equipment which Moreman deposited in their warehouse. Petitioners, however, told them that Moreman withdrew those construction materials in 1977.

Hence, on December 11, 1985, respondent filed with the Regional Trial Court, Branch 160, Pasig City, an action for damages with an application for a writ of preliminary attachment against petitioners,^[7] docketed as Civil Case No. 53044.

In the meantime, on October 30, 1986, respondent was appointed Judge of the Regional Trial Court, Branch 12, San Jose Antique.^[8]

On August 25, 1989, or after almost four (4) years, the trial court dismissed respondent's complaint for his failure to prosecute and for lack of interest."^[9] On September 6, 1994, or five years thereafter, respondent filed a motion for reconsideration, but the same was denied in the Order dated September 9, 1994 because of the failure of respondent and his counsel to appear on the scheduled hearing.^[10]

On October 14, 1994, respondent filed a second motion for reconsideration. This time, the motion was granted and the case was ordered reinstated on January 10, 1995, or ten (10) years from the time the action was originally filed.^[11] Thereafter, summons, together with the copies of the complaint and its annexes, were served on petitioners.

On March 2, 1995, counsel for petitioners filed a motion to dismiss on several grounds.^[12] Respondent, on the other hand, moved to declare petitioners in default on the ground that their motion to dismiss was filed out of time and that it did not contain any notice of hearing.^[13]

On April 27, 1995, the trial court issued an order declaring petitioners in default.^[14]

Petitioners filed with the Court of Appeals a petition for certiorari^[15] to annul the trial court's order of default, but the same was dismissed in its Order^[16] dated August 31, 1995. The case reached this Court, and in a Resolution dated October 25, 1995,^[17] we affirmed the assailed order of the Court of Appeals. On November 29, 1995,^[18] the corresponding Entry of Judgment was issued.

Thus, upon the return of the records to the RTC, Branch 160, Pasig City, respondent was allowed to present his evidence *ex-parte*.

Upon motion of respondent, which was granted by the trial court in its Order dated

April 29, 1996,^[19] the depositions of his witnesses, namely, Leonardo Conge, Alfredo Maceda and Engr. Damiano Nadera were taken in the Metropolitan Trial Court in Cities, Branch 2, Tacloban City.^[20] Deponent Leonardo Conge, a labor contractor, testified that on December 14 up to December 24, 1977, he was contracted by petitioner Lily Chan to get bags of cement from the New Gran Hotel construction site and to store the same into the latter's warehouse in Tacloban City. Aside from those bags of cement, deponent also hauled about 400 bundles of steel bars from the same construction site, upon order of petitioners. Corresponding delivery receipts were presented and marked as Exhibits "A", "A-1", "A-2", "A-3" and "A-4".^[21]

Deponent Alfredo Maceda testified that he was respondent's Disbursement and Payroll Officer who supervised the construction and kept inventory of the properties of the New Gran Hotel. While conducting the inventory on November 23, 1977, he found that the approximate total value of the materials stored in petitioners' warehouse was P214,310.00. This amount was accordingly reflected in the certification signed by Mario Ramos, store clerk and representative of Moreman who was present during the inventory.^[22]

Deponent Damiano Nadera testified on the current cost of the architectural and structural requirements needed to complete the construction of the New Gran Hotel.^[23]

On December 26, 1996, the trial court rendered a decision in favor of respondent, thus:

"WHEREFORE, foregoing considered, judgment is hereby rendered ordering defendants to jointly and severally pay plaintiff:

- 1) P1,930,000.00 as actual damages;
- 2) P2,549,000.00 as actual damages;
- 3) Moral damages of P150,000.00; exemplary damages of P50,000.00 and attorney's fees of P50,000.00 and to pay the costs.

"SO ORDERED."

The trial court ratiocinated as follows:

"The inventory of other materials, aside from the steel bars and cement is found highly reliable based on first, the affidavit of Arthur Edralin dated September 15, 1979, personnel officer of Moreman Builders that he was assigned with others to guard the warehouse; (Exhs. "M" & "O"); secondly, the inventory (Exh. "C") dated November 23, 1977 shows (sic) deposit of assorted materials; thirdly, that there were items in the warehouse as of February 3, 1978 as shown in the balance sheet of Moreman's stock clerk Jose Cedilla.

"Plaintiff is entitled to payment of damages for the overhauling of

materials from the construction site by Lily Chan without the knowledge and consent of its owner. Article 20 of the Civil Code provides:

'Art. 20. Every person who contrary to law, willfully or negligently caused damage to another, shall indemnify the latter for the same.'

"As to the materials stored inside the bodega of defendant Wilson Chan, the inventory (Exh. "C") show (sic), that the same were owned by the New Gran Hotel. Said materials were stored by Moreman Builders Co., Inc. since it was attested to by the warehouseman as without any lien or encumbrances, the defendants are duty bound to release it. Article 21 of the Civil Code provides:

'Art. 21. Any person who willfully caused loss or injury to another in a manner that is contrary to morals, good customs or public policy shall compensate the latter for the damage.'

"Plaintiff is entitled to payment of actual damages based on the inventory as of November 23, 1977 amounting to P1,930,080.00 (Exhs. "Q" & "Q-1"). The inventory was signed by the agent Moreman Builders Corporation and defendants.

"Plaintiff is likewise entitled to payment of 12,500 bags of cement and 400 bundles of steel bars totaling P2,549,000.00 (Exhs. "S" & "S-1"; Exhs. "B" & "B-3").

"Defendants should pay plaintiff moral damages of P150,000.00; exemplary damages of P50,000.00 and attorney's fees of P50,000.00 and to pay the costs.

"The claim of defendant for payment of damages with respect to the materials appearing in the balance sheets as of February 3, 1978 in the amount of P3,286,690.00, not having been established with enough preponderance of evidence cannot be given weight."^[24]

Petitioners then elevated the case to the Court of Appeals, docketed as CA-G.R. CV No. 57323. On June 17, 1999, the Appellate Court rendered the assailed Decision^[25] affirming *in toto* the trial court's judgment, ratiocinating as follows:

"Moreover, although the prayer in the complaint did not specify the amount of damages sought, the same was satisfactorily proved during the trial. For damages to be awarded, it is essential that the claimant satisfactorily prove during the trial the existence of the factual basis thereof and its causal connection with the adverse party's act (PAL, Inc. vs. NLRC, 259 SCRA 459. In sustaining appellee's claim for damages, the court *a quo* held as follows:

'The Court finds the contention of plaintiff that materials and equipment of plaintiff were stored in the warehouse of defendants and admitted by defendants in the certification issued to Sheriff Borja. x x x

'Evidence further revealed that assorted materials owned by the New Gran Hotel (Exh. "C") were deposited in the bodega of defendant Wilson Chan with a total market value of P1,930,000.00, current price.

'The inventory of other materials, aside from the steel bars and cement, is highly reliable based on first, the affidavit of Arthur Edralin dated September 15, 1979, personnel officer of Moreman Builders; that he was assigned, with others to guard the warehouse (Exhs. M & O); secondly, the inventory (Exh. C) November 23, 1977 shows deposit of assorted materials; thirdly, that there were items in the warehouse as of February 3, 1978, as shown in the balance sheet of Moreman's stock clerk, Jose Cedilla (pp. 60-61, Rollo).'

"The Court affirms the above findings.

"Well settled is the rule that 'absent any proper reason to depart from the rule, factual conclusions reached by the trial court are not to be disturbed (*People vs. Dupali*, 230 SCRA 62).' Hence, in the absence of any showing that serious and substantial errors were committed by the lower court in the appraisal of the evidence, the trial judge's assessment of the credibility of the witnesses is accorded great weight and respect (*People vs. Jain*, 254 SCRA 686). And, there being absolutely nothing on record to show that the court *a quo* overlooked, disregarded, or misinterpreted facts of weight and significance, its factual findings and conclusions must be given great weight and should not be disturbed on appeal.

"WHEREFORE, being in accord with law and evidence, the appealed decision is hereby AFFIRMED *in toto*."

Hence, this petition for review on certiorari anchored on the following grounds:

"I

The Court of Appeals acted with grave abuse of discretion and under a misapprehension of the law and the facts when it affirmed *in toto* the award of actual damages made by the trial court in favor of respondent in this case.

II

The awards of moral and exemplary damages of the trial court to respondent in this case and affirmed *in toto* by the Court of Appeals are unwarranted by the evidence presented by respondent at the *a quo* hearing of this case and should, therefore, be eliminated or at least reduced.

III

The award of attorney's fees by the trial court to respondent in this case and affirmed by the Court of Appeals should be deleted