

FIRST DIVISION

[G.R. No. 146504, April 09, 2002]

**HONORIO L. CARLOS, PETITIONER, VS. MANUEL T. ABELARDO,
RESPONDENT.**

D E C I S I O N

KAPUNAN, J.:

Assailed in this petition for review on certiorari under Rule 45 of the Rules of Court is the decision of the Court of Appeals dated November 10, 2000 in CA-G.R. CV No. 54464 which reversed and set aside the decision of the Regional Trial Court of Valenzuela, Branch 172, and dismissed for insufficiency of evidence the complaint for a sum of money and damages filed by herein petitioner Honorio Carlos against respondent Manuel Abelardo, his son-in-law, and the latter's wife, Maria Theresa Carlos-Abelardo.

Petitioner averred in his complaint filed on October 13, 1994 that in October 1989, respondent and his wife Maria Theresa Carlos-Abelardo approached him and requested him to advance the amount of US\$25,000.00 for the purchase of a house and lot located at #19952 Chestnut Street, Executive Heights Village, Paranaque, Metro Manila. To enable and assist the spouses conduct their married life independently and on their own, petitioner, in October 31, 1989, issued a check in the name of a certain Pura Vallejo, seller of the property, who acknowledged receipt thereof.^[1]

When petitioner inquired from the spouses in July 1991 as to the status of the amount he loaned to them, the latter acknowledged their obligation but pleaded that they were not yet in a position to make a definite settlement of the same.^[2] Thereafter, respondent expressed violent resistance to petitioner's inquiries on the amount to the extent of making various death threats against petitioner.^[3]

On August 24, 1994, petitioner made a formal demand for the payment of the amount of US\$25,000.00 but the spouses failed to comply with their obligation.^[4] Thus, on October 13, 1994, petitioner filed a complaint for collection of a sum of money and damages against respondent and his wife before the Regional Trial Court of Valenzuela, Branch 172, docketed as Civil Case No. 4490-V-94. In the complaint, petitioner asked for the payment of the US\$25,000.00 or P625,000.00, its equivalent in Philippine currency plus legal interest from date of extra-judicial demand.^[5] Petitioner likewise claimed moral and exemplary damages, attorney's fees and costs of suit from respondent.^[6]

As they were separated in fact for more than a year prior to the filing of the complaint, respondent and his wife filed separate answers. Maria Theresa Carlos-Abelardo admitted securing a loan together with her husband, from petitioner.^[7]

She claimed, however, that said loan was payable on a staggered basis so she was surprised when petitioner demanded immediate payment of the full amount. [8]

In his separate Answer, respondent admitted receiving the amount of US\$25,000.00 but claimed that:

xxx

- a. Defendant (respondent) xxx revived that otherwise dormant construction firm H.L. CARLOS CONSTRUCTION of herein plaintiff which suffered tremendous setback after the assassination of Senator Benigno Aquino;
- b. Working day and night and almost beyond human endurance, defendant devoted all his efforts and skill, used all his business and personal connection to be able to revive the construction business of plaintiff;
- c. Little-by-little, starting with small construction business, defendant was able to obtain various construction jobs using the name H.L. CARLOS CONSTRUCTION and the income derived therefrom were deposited in the name of such firm of plaintiff,
- d. Defendant xxx was made to believe that the earnings derived from such construction will be for him and his family since he was the one working to secure the contract and its completion, he was allowed to use the facilities of the plaintiff;
- e. The plaintiff seeing the progress brought about by defendant xxx to his company proposed a profit sharing scheme to the effect that all projects amounting to more than P10 million shall be for the account of plaintiff; lower amount shall be for defendant's account but still using H.L. CARLOS CONSTRUCTION.
- f. But, to clear account on previous construction contracts that brought income to H.L.CARLOS CONSTRUCTION, out of which defendant derived his income, plaintiff gave the amount of US\$25,000.00 to defendant to square off account and to start the arrangement in paragraph (e) supra;
- g. That, the said US\$25,000.00 was never intended as loan of defendant. It was his share of income on contracts obtained by defendant;

xxx [9]

Respondent denied having made death threats to petitioner and by way of compulsory counterclaim, he asked for moral damages from petitioner for causing the alienation of his wife's love and affection, attorney's fees and costs of suit. [10]

On June 26, 1996, the Regional Trial Court rendered a decision in favor of petitioner, the dispositive portion of which reads:

WHEREFORE, judgment is hereby rendered as follows:

1. Ordering the defendants to pay plaintiff the amount of US\$25,000.00 or its equivalent in Philippine Currency at the time of its payment, plus legal interest thereon from August 24, 1994 until fully paid;
2. Ordering the defendant Manuel T. Abelardo to pay the plaintiff the amount of P500,000.00 representing moral damages and the further amount of P50,000.00 as exemplary damages; and
3. Ordering the defendants to pay the plaintiff the amount of P100,000.00 as attorney's fees, plus the costs of suit.

SO ORDERED. [11]

Respondent appealed the decision of the trial court to the Court of Appeals. On November 10, 2000, the Court of Appeals reversed and set aside the trial court's decision and dismissed the complaint for insufficiency of evidence to show that the subject amount was indeed loaned by petitioner to respondent and his wife. The Court of Appeals found that the amount of US\$25,000.00 was respondent's share in the profits of H.L. Carlos Construction. The dispositive portion of the Court of Appeals' decision states:

WHEREFORE, premises considered, the Decision of the Regional Trial Court of Valenzuela, Branch 172 in Civil Case No. 4490-V-94 is hereby REVERSED and SET ASIDE and a new one entered DISMISSING the Complaint for insufficiency of evidence.

The claim for damages by defendant-appellant is likewise DISMISSED, also for insufficiency of evidence, because of his failure to present substantial evidence to prove that plaintiff-appellee caused the defendant-spouses' separation.

Costs against the plaintiff-appellee.

SO ORDERED. [12]

A motion for reconsideration of the above decision having been denied on, petitioner brought this appeal assigning the following errors:

THE COURT OF APPEALS ERRED IN FINDING INSUFFICIENT EVIDENCE TO PROVE THAT THE AMOUNT OF US\$25,000.00 WAS A LOAN OBTAINED BY PRIVATE RESPONDENT AND HIS WIFE FROM PETITIONER.

THE COURT OF APPEALS ERRED IN HOLDING THAT THE US\$25,000.00 WAS GIVEN AS PRIVATE RESPONDENT'S SHARE IN THE PROFITS OF H.L. CARLOS CONSTRUCTION, INC. AND THAT THE FILING OF THE COMPLAINT IS A HOAX.

THE COURT OF APPEALS ERRED IN NULLIFYING THE AWARD OF DAMAGES FOR LACK OF PROOF THEREOF.

We find merit in the petition.

As gleaned from the records, the following facts are undisputed: (1) there was a check in the amount of US\$25,000.00 issued by petitioner; (2) this amount was received by respondent and his wife and given to a certain Pura Vallejo for the full payment of a house and lot located at #19952 Chestnut Street, Executive Heights Village, Paranaque, Metro Manila; (3) this house and lot became the conjugal dwelling of respondent and his wife; and (4) respondent's wife executed an instrument acknowledging the loan but which respondent did not sign.

To prove his claim that the amount was in the nature of a loan or an advance he extended to respondent and his wife, petitioner presented Banker's Trust Check No. 337 in the amount of US\$25,000.00 he issued on October 31, 1989 to Pura Vallejo. [13] He also introduced in evidence an instrument executed by respondent's wife on July 31, 1991 acknowledging her and her husband's accountability to petitioner for the said amount which was advanced in payment of a house and lot located at #19952 Chestnut Street, Executive Heights Subdivision, Paranaque. [14] A formal demand letter by counsel for petitioner dated August 24, 1994 sent to and received by respondent was also on record. [15]

All these pieces of evidence, taken together with respondent's admission that he and his wife received the subject amount and used the same to purchase their house and lot, sufficiently prove by a preponderance of evidence petitioner's claim that the amount of US\$25,000.00 was really in the nature of a loan.

Respondent tried to rebut petitioner's evidence by claiming that the US\$25,000.00 was not a loan but his share in the profits of H.L. Carlos Construction. He alleged that he received money from petitioner amounting to almost P3 million as his share in the profits of the corporation. To prove this, he presented ten (10) Bank of the Philippine Islands (BPI) checks allegedly given to him by petitioner. [16] He argued that if indeed, he and his wife were indebted to petitioner, the latter could have easily deducted the amount of the said loan from his share of the profits.

Respondent fails to convince this Court.

All the checks presented by respondent, which he claims to be his share in the profits of petitioner's company, were all in the account of H.L. Carlos Construction. [17] On the other hand, the Banker's Trust Check in the amount of US\$25,000.00 was drawn from the personal account of petitioner. [18] Assuming to be true that the checks presented by respondent were his profits from the corporation, then all the more does this prove that the amount of US\$25,000.00 was not part of such profits because it was issued by petitioner from his own account. Indeed, if such amount was respondent's share of the profits, then the same should have been issued under the account of H.L. Carlos Construction.

Moreover, respondent failed to substantiate his claim that he is entitled to the profits and income of the corporation. There was no showing that respondent was a stockholder of H.L. Carlos Construction. His name does not appear in the Articles of Incorporation as well as the Organizational Profile of said company either as stockholder or officer. [19] Not being a stockholder, he cannot be entitled to the

profits or income of said corporation. Neither did respondent prove that he was an employee or an agent so as to be entitled to salaries or commissions from the corporation.

We quote with favor the disquisition of the trial court on this point:

Early in time, it must be noted that payment of personal debts contracted by the husband or the wife before or during the marriage shall not be charged to the conjugal partnership except insofar as they redounded to the benefit of the family. The defendants never denied that the check of US\$25,000.00 was used to purchase the subject house and lot. They do not deny that the same served as their conjugal home, thus benefiting the family. On the same principle, acknowledgment of the loan made by the defendant-wife binds the conjugal partnership since its proceeds redounded to the benefit of the family. Hence, defendant-husband and defendant-wife are jointly and severally liable in the payment of the loan.

Defendant-husband cannot allege as a defense that the amount of US \$25,000.00 was received as his share in the income or profits of the corporation and not as a loan. Firstly, defendant-husband does not appear to be a stockholder nor an employee nor an agent of the corporation, H. L. Carlos Construction, Inc. Since he is not a stockholder, he has no right to participate in the income or profits thereof. In the same manner that as he is not an employee nor an agent of H. L. Carlos Construction, Inc., he has no right to receive any salary or commission therefrom. Secondly, the amount advanced for the purchase of the house and lot came from the personal account of the plaintiff. If, indeed, it was to be construed as defendant-husband's share in the profits of the corporation, the checks should come from the corporation's account and not from the plaintiff's personal account, considering that the corporation has a personality separate and distinct from that of its stockholders and officers.

Even granting that the checks amount to US \$3,000,000.00 given by the plaintiff to the defendant-spouses was their share in the profits of the corporation, still there is no sufficient evidence to establish that the US \$25,000.00 is to be treated similarly. Defendant-husband in invoking the defense of compensation argued that if indeed they were indebted to the plaintiff, the latter could have applied their share in the proceeds or income of the corporation to the concurrent amount of the alleged loan, instead of giving the amount of P3,000,000.00 to them. This argument is untenable. Article 1278 of the Civil Code provides that compensation shall take place when two persons, in their own right, are debtors and creditors of each other. As its indicates, compensation is a sort of balancing between two obligations. In the instant case, the plaintiff and the defendant-husband are not debtors and creditors of each other. Even granting that the defendant-husband's claim to the profits of the corporation is justified, still compensation cannot extinguish his loan obligation to the plaintiff because under such assumption, the defendant is dealing with the corporation and not with the plaintiff in his personal capacity. Hence, compensation cannot take place.