

THIRD DIVISION

[G.R. No. 118325, January 29, 1997]

**VIRGILIO M. DEL ROSARIO AND CORAZON PAREDES-DEL
ROSARIO, PETITIONERS, VS. COURT OF APPEALS AND METAL
FORMING CORPORATION, RESPONDENTS.
D E C I S I O N**

NARVASA, C.J.:

On August 28, 1995, the Court En Banc promulgated judgment in the case of Metal Forming Corporation v. Office of the President, etc., et al.,^[1] dismissing the petitioner's appeal and affirming the decision of the Office of the President dated April 30, 1993. The latter decision in turn affirmed that of the Department of Trade and Industry rendered on May 29, 1991 in an administrative case initiated against Metal Forming Corporation (hereafter MFC) by complaint of the spouses Virgilio M. del Rosario and Corazon Paredes-del Rosario."

The Del Rosarios' complaint, filed on November 21, 1990, charged MFC with violation of Section 3 of Act No. 3740, "An Act to Penalize Fraudulent Advertising, Mislabeling or Misbranding of Any Product, Stocks, Bonds, etc." It alleged that;^[2]

1) "in selling to the public roofing materials known 'Banawe' shingles,** (MFC) made representations on the durability of the product and sturdiness of its installation" through massive advertisements in print media and television**(and) brochures ;"

2) these representation -- particularly those characterizing the shingles as "STRUCTURALLY SAFE AND STRONG" and that the "BANAWA METAL TILE structure acts as a single unit against wind and storm pressure due to the strong hook action on its overlaps"-- "prompted ** (the Del Rosarios) to buy the 'Banawe' shingles and ** (have) them installed at their residence;" but

3) "(b)arely two (2) months after completion of the installation, portions of the roof of ** (the Del Rosarios) were blown away by strong wind brought about by typhoon "Ruping."

After due proceedings, the DTI rendered judgment declaring that MCF had indeed misrepresented its product because "as the records showed," strong winds actually blew off part of the structure/roof of the Del Rosario Spouses and the same acted in parts (instead of as a single unit) when strong winds blew, a part remaining while another part was blown off. MFC was accordingly sentenced to pay an "administrative fine of P10,000.00" (within ten ^[10] days from finally of the decision), otherwise its "business name and registration ** would be deemed suspended and its establishment closed until the fine was fully paid."

As already stated, the decision of the DTI (of May 29, 1991) was, on appeal, affirmed in toto by the Office of the President on April 30, 1993; and the latter judgment was in turn affirmed by this Court on August 28, 1995 with a modification solely as to the fine, which was reduced to P5,000.00. In said judgment of August 28, 1995, this Court, stressing that the factual findings of such administrative bodies as the Office of the President are generally to be accorded respect, if not indeed invested with finality, pronounced as correct that Office's ruling, among others, that :

*** (A)lthough the occurrence of a typhoon is a fortuitous event which by itself might have exempted petitioner from liability to private respondents -

" ** it cannot efface the fundamental fact that (petitioner) acted in bad faith and/or with gross negligence in failing to deliver the necessary accessories for the proper installation of the structure ** and actually installed inferior roofing materials at (private respondents') residence, in violation of the proper installation procedure expressly specified in the former's brochures and advertisements for installation, i.e., the metal tile attached to the roof panels should be two (2) self-drilling screws for one (1) metal cleat. However, instead of conforming with this procedure, (petitioner) attached some of the metal cleats with this one (1)-inch ordinary nail each and others were fastened with only one (10) wood screw each.** "

It appears that MFC replaced and repaired the roof free of charge, evidently acknowledging that the damage was covered by its one-year warranty on the materials and the installation. The repair work was observed and analyzed by Esteban Adjusters and Valuer's, Inc., which was engaged by the Del Rosarios to determine the cause of the destruction.^[3] The repair work was begun on October 23, 1989, with the delivery of replacement tiles, and completed on November 7, 1989. Thereafter the Esteban Adjusters and Valuers, Inc. submitted its report to the Del Rosarios, dated November 8, 1989,^[4] in which it made the following conclusion:

"The 'Banawe' metal tiles which were detached from the roof trusses were not fastened with two (2) wood screws on each metal cleat as required but only with single wood screw or a combination of a single wood screw and a 1-inch nail which is contrary to the design and specification. We have observed during the course of repai(r) works that some 'Banawe' metal tiles installed were no longer than the roof span, hence there is overlapping on the ridged roll/hip. It is very evident that the original subcontractor (which we were not able to identify) were in haste to complete the project.** '"

MFC however declined to concede liability for the other damages claimed by the Del Rosario Spouses to have been caused to the interior of their home. This prompted the latter to commence a civil action against MFC on April 16, 1990 in the Regional Trial Court of Manila.^[5] In this suit, docketed as Civil Case No. 90-52734, the spouses sought to recover from MFC, damages resulting from the events just narrated, contending that aside from the destruction of the roof of their house, injury was also caused to its electrical wiring, ceiling, fixtures, walls, wall paper, wood parquet flooring and furniture.^[6] The plaintiff spouses reckoned their actual damages at P1,008,003.00 -- "representing the estimated cost of the repair, restoration and/or replacement of the damaged areas and items in plaintiffs' house

and the cost of the inspection conducted by the independent adjuster (engaged by them), with legal interests thereon from 21 February 1990 when defendant (MFL) received the formal demand from plaintiffs until fully paid."^[7] They also prayed for an award to them of moral damages in the sum of P3,000,000.00, exemplary damages in the amount of P1,000,000.00, and attorney's fees in the sum of P1,000,000.00.

MFC moved to dismiss the complaint for lack of cause of action. It stated that it had no contractual relationship with the Del Rosarios since the contract for the purchase and installation of the roofing, upon which the latter's claims were based, was actually entered into between it and another person, Jesus M. Puno (an engineer identified as the Del Rosarios' contractor). The Trial Court denied the motion. MFC assailed that denial in the Court of Appeals, but was rebuffed; and its recourse to this Court (G.R. No. 95514) was also unsuccessful.^[8]

Trial then ensued after which judgment was rendered on November 18, 1991 by the Regional Trial Court in favor of the Del Rosarios,^[9] the dispositive portion of which reads as follows:^[10]

"WHEREFORE, judgment is hereby rendered in favor of the plaintiff and against the defendant, to pay: -

"a) Actual Damages in the amount of ONE MILLION EIGHT THOUSAND THREE (P1,008,003.00) PESOS, with legal interest thereon, from June 31, 1990 until fully paid;

"b) Moral Damages in the amount of FIVE HUNDRED THOUSAND (P500,000.00) PESOS;

"c) Exemplary Damages in the amount of THREE HUNDRED THOUSAND (P300,000.00) PESOS; and

"d) Attorney's fees and expenses of litigation in the amount of ONE HUNDRED FIFTY THOUSAND (P150,000.00) PESOS

Counter claims filed by the defendant are dismissed.

SO ORDERED."

The Trial Court held the corporation liable for breach of its contract for the supply and installation of the roofing materials in the Del Rosarios' residence. According to the the Court:^[11]

"The following facts were duly established from the evidence supporting plaintiffs' claim for damages:

"1. There was actually serious damages caused on plaintiffs' house on account of faulty or inferior installation;

"2. Defendant himself admitted its liability by making partial repairs of the roofing of 'Banawe' shingles, free of charge, after the typhoon **

(Ruping) ;

"3. There was an expressed warranty specified in the brochure that there should be two (2) metal screws for one (1) cleat but the same was violated by the defendant who only used (1) 1-inch nail or a combination of one (1) metal screw to one (1) cleat;

"4. There is ample evidence including the testimony of Engr. Puno that it was defendant Metal Forming Corporation who ** (had) a contract with the plaintiffs for the supply and installation of roofing materials in plaintiffs' residential house located at No. 17 Tabuena Street, Corinthian Gardens, Quezon City; and

"5. There was a declared warranty by the defedants relied upon by the plaintiffs and that the defendant was guilty of fraud and/or breach of warranty."

Parenthetically, these conclusions are substantially the same as those made by the Department of Trade and Industry in its own judgement rendered on May 29, 1991 - affirmed by the Office of the President in a decision dated April 30, 1993, and ultimately by this Court En Banc in its decision promulgated on August 28, 1995. [12] The Trial Court ruled that there was privity of contract between the Del Rosarios and MFC; Engineer Puno acted as MFC's agent in the signing of the contracts for the supply and installation of the "Banawe" shingles; hence, the contract was really between the Del Rosarios and that company.^[13]

MFC appealed to the Court of Appeals. In its Decision promulgated on June 29, 1994,^[14] said Court reversed the Trial Court's judgement. It ruled that there was no privity of contract between the Del Rosarios and MFC, for the following reasons:^[15]

a. The contracts for the supply of materials and installation of the roof were signed by Engr. Puno. On the face of the contracts, it does not appear that the Del Rosarios were parties to it or that it was entered into for their benefit. It does not also appear that Engr. Puno acted as agent of the Del Rosarios nor of the corporation.

b. The holding of the trial court that Engr. Puno was an agent of the corporation is not borne out by the records. There is no evidence apart from Engr. Puno's testimony, to show that any agency exists.

c. The nature of the relationship between the Del Rosarios and Engr. Puno is also not clear from the records of the case.

d. While it may be implicit in the complaint of the Del Rosarios that there was contract between them and the corporation, this is not supported by the evidence presented.

There being no such privity, according to the Court of Appeals, the Del Rosarios had no cause of action against MFC for breach of warranties, there being no law allowing them to proceed directly against those whom their contractor had subcontracted to furnish materials and do part of the work that the latter was

engaged to perform.^[16]

The Del Rosarios appealed, and in this Court expectedly present for resolution,^[17] the issue of "WHETHER OR NOT THERE IS A PRIVACY OF CONTRACT BETWEEN THE PARTIES."

There is merit in the petition. The essential issue is whether or not upon the facts established by the evidence, MFC is answerable to the Del Rosarios for the damage caused to the latter's residence when its roof, made of shingles purchased from and installed by the former, was blown away by a typhoon. The Court rules that it is.

The facts on record -- including those set forth in the final judgement of the Court En Banc involving the same parties, adverted to in the opening paragraph of this opinion, supra,^[18] of which judgement official cognizance may properly be, as it is hereby, taken -- constitute adequate basis for a verdict against MFC. These are the following:

1. MFC was engaged in the business of selling to the public roofing materials known as 'Banawe' shingles or metal tiles, and through extensive advertisements in media and in its brochures, made representations respecting the durability of its tiles and the sturdiness of roofing installed in accordance with its particularly described method. These representations included statements that the shingles are "STRUCTURALLY SAFE AND STRONG" and that the "BANAWE METAL TILE structure acts as a single unit against wind and storm pressure due to the strong hook action on its overlaps."
2. After reading MFC's brochures and advertisements, the Del Rosario Spouses instructed their contractor, Engineer Puno, to use the "Banawe" shingles or metal tiles in the roofing of their house then under construction.^[19]
3. In other words, paraphrasing Article 1546 of the Civil Code, MFC, as seller to the general public, had made affirmations of fact and promises relating to its advertised product, the "Banawe" tiles, the natural tendency of which was induce the buyers, as in fact it did induce the Del Rosarios, to purchase the same, relying thereon.
4. Pursuant to the Del Rosarios' instructions, Puno placed orders with MFC and signed the pertinent contracts for the purchase of the shingles, accepted deliveries thereof and signed corresponding invoices, and made payments thereon with the spouses' funds.^[20]
5. Deliveries of the "Banawe" metal tiles or shingles were made by MFC's employees to the construction site of the Del Rosarios' residence; and installation of the metal tiles in the roof of the Del Rosario's house was made by MFC's workers.
6. MFC "acted in bad faith and/or with gross negligence in failing to deliver the necessary accessories for the proper installation of the structure ** and actually installed inferior roofing materials at (private