



Republic of the Philippines
Supreme Court
Manila

SUPREME COURT OF THE PHILIPPINES
RECORDED
JUN 13 2019
BY: *Jand*
TIME: *3:10*

SECOND DIVISION

SPOUSES LUIS G. BATALLA
and SALVACION BATALLA,
Petitioners,

G.R. No. 200676

Present:

CARPIO, J., Chairperson,
PERLAS-BERNABE,
CAGUIOA,
REYES, J. JR., and
LAZARO-JAVIER, JJ.

- versus -

PRUDENTIAL BANK,
NAGATOME AUTO PARTS,
ALICIA RANTAEL, and HONDA
CARS SAN PABLO, INC.,
Respondents.

Promulgated:

25 MAR 2019

X ----- *Alvin Salas* ----- X

DECISION

REYES, J. JR., J.:

Before the Court is a petition for review on *certiorari* under Rule 45 of the Rules of Court seeking to reverse and set aside the October 10, 2011 Decision¹ and February 1, 2012 Resolution² of the Court of Appeals (CA) in CA-G.R. CV No. 92097, which affirmed with modification the July 23, 2008 Decision³ of the Regional Trial Court, Branch 4, Legazpi City (RTC).

In March 1998, petitioner Spouses Luis G. Batalla and Salvacion Batalla (Spouses Batalla) purchased a brand new Honda Civic from respondent Honda Cars San Pablo, Inc. (Honda). Respondent Alicia Rantael

¹ Penned by Associate Justice Franchito N. Diamante, with Associate Justices Josefina Guevara-Salonga and Mariflor P. Punzalan Castillo, concurring; *rollo*, pp. 36-50.

² Id. at 59-61.

³ Penned by Judge Edgar L. Armes; id. at 88-109.

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(Rantael), then acting manager of Pilipinas Bank, now merged with respondent Prudential Bank (Prudential), brokered the deal.⁴

To finance the purchase of the said motor vehicle, Spouses Batalla applied for a car loan with Prudential. On March 23, 1998, they executed a promissory note for the sum of ₱292,200.00 payable within 36 months. On May 29, 1998, the Car Loan Agreement⁵ was approved. As such, Prudential issued a Manager's Check in the said amount payable to Honda.⁶

For their part, Spouses Batalla paid ₱214,000.00 corresponding to the remaining portion of the purchase price for the Honda Civic. In addition, they also paid ₱11,000.000.00 for delivery cost and the installation of a remote control door mechanism, and ₱28,333.56 for insurance.⁷

On April 21, 1998, Spouses Batalla received the car after Rantael informed them that it was parked near Prudential. However, after three days, the rear right door of the car broke down. The Spouses Batalla consulted a certain Jojo Sanchez (Sanchez), who claimed that the power lock of the rear right door was defective and that the car was no longer brand new because the paint of the roof was merely retouched.⁸

On May 3, 1998, Spouses Batalla sent a letter to the manager of Prudential notifying it of the said defects and demanding the immediate replacement of the motor vehicle. On August 27, 1998, they took the car to the Auto Body Shop for a thorough evaluation of the status of the vehicle. According to Arturo Villanueva (Villanueva), the vehicle was no longer brand new because the rooftop was no longer shiny in appearance. Thereafter, the manager of Prudential, together with two individuals from Honda, met Spouses Batalla and offered to repair the vehicle. Spouses Batalla rejected it because they wanted the car to be replaced with a brand new one without hidden defects.⁹

Unable to secure a brand new car in replacement of the alleged defective vehicle, Spouses Batalla filed a Complaint for Rescission of Contracts and Damages¹⁰ against Prudential and Honda.

⁴ Id. at 14.

⁵ Id. at 69-74.

⁶ Id. at 15 and 93.

⁷ Id. at 15-16.

⁸ Id. at 16-17 and 90.

⁹ Id. at 17-18.

¹⁰ Id. at 80-87.

The RTC Decision

In its July 23, 2008 Decision, the RTC dismissed the Spouses Batalla's complaint. The trial court ruled that the car sold to Spouses Batalla was a brand new one and that any perceived defects could not be attributed to Honda. It highlighted that Spouses Batalla failed to prove that the defects in the car door were due to the fault of Honda and that the car was merely repainted to make it appear brand new. In addition, the RTC expounded that the perceived defects were minor defects which did not diminish the fitness of the car for its intended use. On the other hand, it posited that Spouses Batalla must pay the loan amount to Prudential as they admitted that they have not paid the same. The RTC disposed:

WHEREFORE, premises considered, judgment is hereby rendered in favor of defendants Prudential Bank, Honda Cars San Pablo, Inc., and Alicia Rantael, on the one hand and against the plaintiffs spouses Luis G. Batalla and Salvacion Batalla, on the other hand, as follows:

1. The Complaint is hereby ordered DISMISSED for lack of cause of action;
2. The plaintiffs are hereby ordered to pay the defendants as follows;
 - a. To defendant Prudential Bank – Two Hundred Ninety Two Thousand Two Hundred Pesos (₱292,200.00), Philippine currency, plus 30% interest per annum from April 23 1998 until fully paid;
 - b. To defendant Honda Cars San Pablo, Inc., - One Hundred Seventy Five Thousand Five Hundred Pesos (₱175,500.00), Philippine currency, for attorney's fees and travelling expenses of counsel;
 - c. To defendant Alicia Rantael – Twenty Five Thousand Pesos (₱25,000.00), Philippine currency, for attorney's fees.
3. The cross-claim of defendant Prudential Bank against defendant Honda Cars San Pablo, Inc., is ordered DISMISSED for being moot and academic.

SO ORDERED.¹¹

Undeterred, Spouses Batalla appealed to the CA.

¹¹ Id. at 108-109.

The CA Decision

In its October 10, 2011 Decision, the CA affirmed with modification the RTC decision. The appellate court ruled that Spouses Batalla cannot rescind the promissory note and car loan agreement on account of the car's alleged defects because they are distinct from the contract of sale entered into with Honda. In any case, it found that the documentary evidence, which Spouses Batalla never disputed, presented by Honda, proved that the motor vehicle was brand new with no signs of alteration and tampering. The CA, however, reduced the attorney's fees in favor of Honda from ₱175,000.00 to ₱30,000.00. Thus, it ruled:

WHEREFORE, premises considered, the instant appeal is **Denied**. Accordingly, the Judgment of the Regional Trial Court, Branch 4 of Legazpi City, Albay in Civil Case No. 9995 dated July 23, 2008 is hereby **AFFIRMED** with the modification of reducing the attorney's fees in the sum of P30,000.00 awarded in favor of appellee Honda Motors, San Pablo, Inc.

SO ORDERED.¹²

Unsatisfied, Spouses Batalla moved for reconsideration but it was denied by the CA in its February 1, 2012 Resolution.

Hence, this present petition raising:

The Issues

I

WHETHER THE MOTOR VEHICLE DELIVERED BY HONDA HAD HIDDEN DEFECTS; AND

II

WHETHER SPOUSES BATALLA MAY RESCIND THE CONTRACT OF SALE, CAR LOAN AGREEMENT AND PROMISSORY NOTE DUE TO THE DEFECTS OF THE MOTOR VEHICLE SOLD.

Spouses Batalla argued that the car loan it obtained from Prudential was for the purchase of a brand new motor vehicle. They lamented that what was delivered to them was a defective vehicle as manifested by Honda's offer to repair the vehicle. Spouses Batalla assailed that because of the breach of the implied warranty against hidden defects, they were entitled to rescind the contract of sale, together with the car loan and the promissory note.

¹² Id. at 49.

In its Comment¹³ dated May 27, 2013, Prudential countered that the car loan and promissory note are distinct transactions from the contract of sale. It explained that while Rantael may have assisted in the acquisition of the motor vehicle, it does not change the fact that the transaction of Spouses Battala with it was for a loan and not a sale of a motor vehicle. Thus, Prudential averred that it cannot be held liable for any breach of warranty because it was never a party to the sale. In their Comment dated May 14, 2013,¹⁴ Rantael and Honda also posited that the contract between Spouses Batalla and Prudential was different from the contract between Honda and them.

In their Joint Reply¹⁵ dated March 25, 2015, Spouses Batalla reiterated that they were entitled to the remedy of rescission of contract because the motor vehicle delivered to them was not brand new and had hidden defects. They were constrained to pursue such action because respondents refused to replace the car with a brand new one.

The Court's Ruling

The petition is without merit.

It is axiomatic that petitions for review on *certiorari* under Rule 45 of the Rules of Court are limited to questions of law.¹⁶ Questions of fact are beyond the ambit of a petition under Rule 45 because the Court is not a trier of facts and it is not its function to examine, review or evaluate evidence all over again.¹⁷ Nevertheless, the following are exceptions to the rule that only questions of law may be raised in a petition for review on *certiorari*, to wit:

- (1) When the conclusion is a finding grounded entirely on speculation, surmises or conjectures;
- (2) When the inference made is manifestly mistaken, absurd or impossible;
- (3) Where there is a grave abuse of discretion;
- (4) When the judgment is based on a misapprehension of facts;
- (5) When the findings of fact are conflicting;
- (6) When the Court of Appeals, in making its findings, went beyond the issues of the case and the same is contrary to the admissions of both appellant and appellee;

¹³ Id. at 126-138.

¹⁴ Id. at 116-119.

¹⁵ Id. at 153-159.

¹⁶ *Philippine National Bank v. Gregorio*, G.R. No. 194944, September 18, 2017, 840 SCRA 37, 52.

¹⁷ *Co v. Vargas*, 676 Phil. 463, 470 (2011).

- (7) The findings of the Court of Appeals are contrary to those of the trial court;
- (8) When the findings of fact are conclusions without citation of specific evidence on which they are based;
- (9) When the facts set forth in the petition as well as in the petitioner's main and reply briefs are not disputed by the respondents; and
- (10) The finding of fact of the Court of Appeals is premised on the supposed absence of evidence and is contradicted by the evidence on record.¹⁸

In the case at bench, none of the exceptions are present. The courts *a quo* have consistently found that the motor vehicle delivered to Spouses Batalla was brand new. In addition, they ruled that if there were defects, it could not be attributed to Honda, or, were minor defects that could have been easily repaired. Moreover, these findings of fact are sufficiently supported by the evidence on record.

Even if this procedural issue is set aside, the petition of Spouses Batalla still deserves scant consideration.

Spouses Batalla anchored their complaint for rescission of contract against Prudential and Honda on the allegation that the car delivered to them was not brand new and that it contained hidden defects. In support of their allegations, they presented Villanueva who testified that the car was no longer brand new because the roof was no longer shiny and appeared to be only repainted — he also testified that the rear door was damaged. Spouses Batalla also offered in evidence computer printouts from the Land Transportation Office (LTO) where it was indicated that the car was first registered on April 25, 1994.

As correctly observed by the RTC, however, the evidence of the respondents outweighed the evidence presented by Spouses Batalla. The trial court noted that several documentary evidence attest to the fact that the car was brand new. In addition, the purported printout from the LTO was a mere photocopy and was never authenticated. Further, the document's credibility is seriously in doubt, especially as to the entry that the car was first registered in 1994, because the car model that Spouses Batalla bought was manufactured only in 1998.

In the present case, the RTC gave little credence to the testimony of Villanueva that the car delivered to Spouses Batalla was not brand new on account of the condition of its rooftop painting. As pointed out by the trial

¹⁸ *Pascual v. Burgos*, 776 Phil. 167, 182-183 (2016), citing *Medina v. Asistio, Jr.*, 269 Phil. 225, 226-227 (1990).

court, Villanueva only had limited formal training in painting and that his assessment as to the condition of the car paint was made only after a visual examination. As such, the RTC cannot be faulted if it was left unconvinced of Villanueva's testimony for lack of certainty and technical basis.

Under Rule 130, Section 48 of the Rules of Court, the opinion of a witness on a matter requiring special knowledge, skill, experience or training **which he is shown to possess**, may be received in evidence. In turn, the determination of the credibility of the expert witnesses and the evaluation of their testimony is left to the discretion of the trial court whose ruling is not reviewable in the absence of abuse of discretion.¹⁹ Here, the RTC found that Villanueva had no special knowledge or training with regards to car painting and that his method of examination of Spouses Batalla's vehicle was wanting as it was limited to a mere visual examination rendering its results inconclusive.

Neither could the alleged defects of the car door be sufficient basis to prove that what was delivered to Spouses Batalla was a second hand car. As they admitted, they immediately had a remote control door mechanism installed. It could not be readily ascertained whether the defects in the car door were existing at the time of the car's manufacture or was caused by the installation of the remote control door system. Thus, the defects in the car door or in the paint, neither establish that the car was second hand nor could it be attributed to the fault of Honda.

Even assuming that the car delivered to Spouses Batalla had a defective car door, they still do not have any grounds for rescinding the contract of sale.

Article 1561 of the Civil Code provides for an implied warranty against hidden defects in that the vendor shall be responsible for any hidden defects which render the thing sold unfit for the use for which it is intended, or should they diminish its fitness for such use to such an extent that, had the vendee been aware thereof, he would not have acquired it or would have given a lower price. In an implied warranty against hidden defects, vendors cannot raise the defense of ignorance as they are responsible to the vendee for any hidden defects even if they were not aware of its existence.²⁰

In order for the implied warranty against hidden defects to be applicable, the following conditions must be met:

¹⁹ *People v. Basite*, 459 Phil. 197, 207 (2003).

²⁰ CIVIL CODE. Art. 1566.

a. **Defect is Important or Serious**

- i. The thing sold is unfit for the use which it is intended
- ii. Diminishes its fitness for such use or to such an extent that the buyer would not have acquired it had he been aware thereof

b. Defect is Hidden

c. **Defect Exists at the time of the sale**

- d. Buyer gives Notice of the defect to the seller within reasonable time.²¹
(Emphasis supplied)

In case of a breach of an implied warranty against hidden defects, the buyer may either elect between withdrawing from the contract and demanding a proportionate reduction of the price, with damages in either case.²² Here, Spouses Batalla opted to withdraw from the contract of sale after their demand for a replacement car was not granted.

As can be seen, the redhibitory action pursued by Spouses Batalla was without basis. For one, it was not sufficiently proven that the defects of the car door were important or serious. The hidden defect contemplated under Article 1561 of the Civil Code is an imperfection or defect of such nature as to engender a certain degree of importance and not merely one of little consequence.²³ Spouses Batalla failed to prove that such defect had severely diminished the roadworthiness of the motor vehicle. In fact, they admitted that they had no problem as to the road worthiness of the car.²⁴

In addition, it cannot be ascertained whether the defects existed at the time of the sale. As previously mentioned, a remote control door mechanism was immediately installed after the car was delivered to Spouses Batalla. The modification made to the motor vehicle raises the possibility that the defect could have been caused or had occurred after the installation of the remote control door system. As the party alleging hidden defects, Spouses Batalla had the burden to prove the same. Unfortunately, they failed to do so considering that they did not present as witnesses, the persons who had actually examined the car door and found it defective. Their testimony could have shed light on the origin of the said defect and whether it was of such extent that the motor vehicle was unfit for its intended use or its fitness had been greatly diminished. Thus, other than Spouses Batalla's own testimony claiming that the car doors were defective, no other evidence was presented to establish the severity of the said defects and whether they had persisted at the time of the sale.

²¹ *Geromo v. La Paz Housing and Development Corporation*, 803 Phil. 506, 516 (2017).

²² Art. 1567, *supra*.

²³ *Moles v. Intermediate Appellate Court*, 251 Phil. 711, 724 (1989).

²⁴ *Rollo*, p. 103.

*Loan agreement independent of
the contract of sale*

Other than rescission of the contract of sale, Spouses Batalla also sought for the rescission of the car loan agreement and promissory note with Prudential.²⁵ They believed that they had ground to rescind the car loan agreement and promissory note they executed with Prudential. Spouses Batalla surmised that the object of these documents was the delivery of a brand new car without hidden defects, and because of the alleged defects of the vehicle, there was no valid object for the contract.

A contract of loan is one where one of the parties delivers money or other consumable thing upon the condition that the same amount of the same kind and quality shall be paid.²⁵ It is perfected upon delivery of the object of the contract.²⁶ On the other hand, a contract of sale is a special contract whereby the seller obligates himself to deliver a determinate thing and to transfer its ownership to the buyer.²⁷ The same is perfected by mere consent of the parties.²⁸

Thus, it is readily apparent that a contract of loan is distinct and separate from a contract of sale. In a loan, the object certain is the money or consumable thing borrowed by the obligor, while in a sale the object is a determinate thing to be sold to the vendee for a consideration. In addition, a loan agreement is perfected only upon the delivery of the object *i.e.*, money or another consumable thing, while a contract of sale is perfected by mere consent of the parties.

Under this premise, it is not hard to see the absurdity in the position of Spouses Batalla that they could rescind the car loan agreement and promissory note with Prudential on the ground of alleged defects of the car delivered to them by Honda. The transactions of Spouses Batalla with Prudential and Honda are distinct and separate from each other. From the time Spouses Batalla accepted the loan proceeds from Prudential, the loan agreement had been perfected. As such, they were bound to comply with their obligations under the loan agreement regardless of the outcome of the contract of sale with Honda. Even assuming that the car that Spouses Batalla received was not brand new or had hidden defects, they could not renege on their obligation of paying Prudential the loan amount.

Spouses Batalla erroneously relies on *Supercars Management & Development Corporation v. Flores*²⁹ as basis to rescind the loan agreement

²⁵ Art. 1933, *supra*.

²⁶ *Spouses Palada v. Solidbank Corporation*, 668 Phil. 172, 182 (2011), citing Art. 1934, *supra*.

²⁷ *Cabrera v. Ysaac*, 747 Phil. 187, 205 (2014).

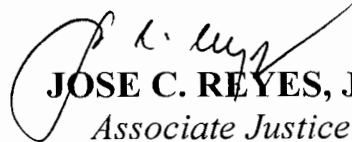
²⁸ *Ace Foods, Inc. v. Micro Pacific Technologies., Co., Ltd.*, 723 Phil. 742, 751 (2013).

²⁹ 487 Phil. 259, 268-269 (2004).

with Prudential on account of the perceived defects of the car delivered to them. In the said case, only the contract of sale with the car dealer was rescinded on account of breach of contract for delivering a defective vehicle. While therein lendeo-bank was originally impleaded for rescission of contract, the trial court dropped it as party-defendant because the breach of contract pertained to the contract of sale and not to the car loan agreement. In the same vein, Spouses Batalla's recourse in case of defects in the motor vehicle delivered to them was limited against Honda and does not extend to Prudential as it merely lent the money to purchase the car.


WHEREFORE, the petition is **DENIED**. The October 10, 2011 Decision and February 1, 2012 Resolution of the Court of Appeals in CA-G.R. CV No. 92097 are **AFFIRMED**.

SO ORDERED.


JOSE C. REYES, JR.
Associate Justice

WE CONCUR:


ANTONIO T. CARPIO
Senior Associate Justice
Chairperson

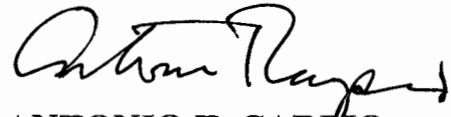

ESTELA M. PERLAS-BERNABE
Associate Justice


ALFREDO BENJAMIN S. CAGUIOA
Associate Justice


AMY C. LAZARO-JAVIER
Associate Justice

ATTESTATION

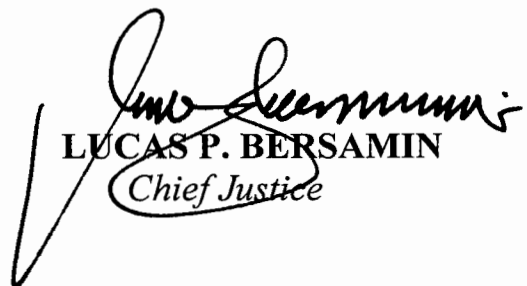
I attest that the conclusions in the above Decision had been reached in consultation before the case was assigned to the writer of the opinion of the Court's Division.



ANTONIO T. CARPIO
Senior Associate Justice
Chairperson, Second Division

CERTIFICATION

Pursuant to Section 13, Article VIII of the Constitution and the Division Chairperson's Attestation, I certify that the conclusions in the above Decision had been reached in consultation before the case was assigned to the writer of the opinion of the Court's Division.



LUCAS P. BERSAMIN
Chief Justice