

SUPREME COURT OF THE PHILIPPINES
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Republic of the Philippines
Supreme Court
Manila

FIRST DIVISION

OSCAR LL. ARCINUE,
Petitioner,

G.R. No. 211149

Present:

-versus-

PERALTA, C.J., Chairperson,
CAGUIOA,*
REYES, J., JR.
LAZARO-JAVIER, and
INTING,** JJ.

ALICE ILALO S. BAUN,
Respondent.

Promulgated:
NOV 28 2019

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DECISION

LAZARO-JAVIER, J.:

The Case

This petition seeks to nullify the following dispositions of the Court of Appeals in CA-G.R. CV No. 96157:

1. Decision¹ dated July 17, 2013 affirming the decision of the Regional Trial Court – Branch 57, San Carlos City, Pangasinan finding petitioner liable for damages.
2. Resolution² dated January 28, 2014 denying petitioner’s motion for reconsideration.

* On official leave.

** Additional member per Special Order No. 2726, dated October 25, 2019.

¹ Penned by Associate Justice Danton Q. Bueser, with Associate Justices Amelita G. Tolentino and Ramon R. Garcia, concurring, *rollo*, pp. 31-39.

² *Rollo*, pp. 41-42.

Antecedents

On October 1, 1990, AMA Computer Learning Center (ACLC) granted petitioner Oscar Arcinue a franchise to operate a computer training school under ACLC's name in Dagupan City, Pangasinan. The franchise was for ten (10) years subject to strict compliance with the parties' Agreement for Franchise Operations.³ Section 21 thereof partly reads:

21. Franchisee may transfer its right of franchise to another entity or person within the ten-year term; provided that the transferee shall be acceptable to Franchisor and hence subject to prior approval of Franchisor before effecting the transfer, and that the transferee shall continue to have the rights of the franchise only within the unexpired period of the term.⁴

Three (3) years later, Arcinue still had not commenced operation. Not only that. He also sold his franchise to respondent Alice Ilalo S. Baun for ₱85,000.00 without ACLC's prior approval. After the sale though, Baun immediately took steps to set-up the computer school. She leased a building and hired an architect for renovations to conform with ACLC's specifications.⁵ Upon ACLC's inspection, however, the proposed school building did not meet its standards since the total floor area was inadequate. More, ACLC found out that Baun was a director of a school in San Carlos, Pangasinan which likewise offered computer courses.⁶

Through a letter dated November 19, 1994, ACLC advised Arcinue it still considered him as the franchisee and not Baun for they had not received any confirmation or document from him with respect to the transfer of rights. ACLC thus directed Arcinue to send them the corresponding documents for transfer of franchise not later than January 1995; otherwise, it will be constrained to terminate the existing franchise. ACLC did not receive any response from Arcinue.

A year later, on November 20, 1995, Arcinue sent ACLC a handwritten note stating that Baun had two (2) proposed buyers for the franchise. ACLC responded under letter dated November 29, 1995 that since there was no document acknowledging Baun as franchisee, the sale or transfer of Arcinue's franchise should still be coursed through him (Arcinue). ACLC also furnished Arcinue with guidelines for sale or transfer of franchise.⁷ Arcinue again did not reply.

Consequently, in 1997, ACLC terminated Arcinue's franchise for his continuous failure to operate and for having assigned his franchise to Baun without its prior approval.⁸

³ *Id.* at 43-46.

⁴ *Id.* at 46.

⁵ *Id.* at 62-63.

⁶ *Id.* at 63.

⁷ *Id.* at 64-65.

⁸ *Id.* at 65-66.

On September 11, 1997, Baun filed the complaint below against Arcinue and ACLC for specific performance and damages to enforce her rights as transferee of Arcinue's franchise.

Trial on the merits ensued. Baun completed her presentation of evidence on April 30, 2002.⁹ She, however, died on June 21, 2009. She was survived by her siblings whom the trial court allowed to substitute as plaintiff in the proceedings below.¹⁰

The Ruling of the RTC

On October 8, 2010, the Regional Trial Court - Br. 57, San Carlos City, Pangasinan found that Arcinue's transfer of franchise to Baun was never approved by ACLC. Baun, therefore, never had any right which she could have enforced against ACLC.

Arcinue, on the other hand, had acted in bad faith in his dealings with ACLC and Baun. Not only did he fail to set-up the computer school as stipulated in the franchise agreement with ACLC, he also profited from it by selling his franchise to Baun, sans ACLC's prior approval. Consequently, ACLC lost its potential income during the seven (7)-year period within which Arcinue failed to operate the computer school. Too, Baun suffered pecuniary loss when she paid Arcinue ₱85,000.00 for the transfer of franchise and incurred expenses in setting up the computer school without ACLC's approval. The trial court thus ruled that Arcinue's acts were in violation of Articles 19, 20, and 21 of the Civil Code¹¹ which warranted payment of damages, viz:

WHEREFORE, premises considered, this case is DISMISSED as against defendant AMA.

Defendant Arcinue is hereby ordered to pay:

A. To the estate of the late plaintiff Alice Ilalo S. Baun:

- 1) The sum of ₱85,000.00 as actual damages, with legal interest at six percent (6%) per annum or a fraction thereof, from the time he unjustly received the said amount from the plaintiff in 1993 until the same is paid in full;
- 2) The sum of ₱50,000.00 as exemplary damages; and
- 3) The sum of ₱50,000.00 as moral damages.

⁹ *Id.* at 66.

¹⁰ *Id.* at 33.

¹¹ Article 19. Every person must, in the exercise of his rights and in the performance of his duties, act with justice, give everyone his due, and observe honesty and good faith.

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

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

B. To defendant AMA:

1) The sum of ₱100,000.00 as temperate damages in lieu of actual damages since while this defendant offered in evidence a list of figures of projected income losses in the seven years that defendant Arcinue failed to open and operate its computer school in Dagupan City, it failed to substantiate the same with sufficient specifics and thus the Court finds the same speculative.

2) The sum of ₱50,000.00 as exemplary damages; and

3) The sum of ₱25,000.00 as moral damages.

SO ORDERED.

Arcinue appealed to the Court of Appeals but only impleaded Baun as defendant-appellee. Thus, the trial court's decision had become final and executory insofar as ACLC is concerned.

The Proceedings Before the Court of Appeals

On appeal, Arcinue argued that he did not act in bad faith in his dealings with ACLC and Baun. The transfer of his franchise to Baun was impliedly approved by ACLC when its employees, on several occasions, met with Baun and provided her assistance in setting-up the computer school, *i.e.*, they interviewed her; directed her to look for a school site in Dagupan City; surveyed the proposed site; and gave her advertising materials. In the end, however, ACLC still did not approve the transfer of franchise. Thus, it was ACLC who acted in bad faith, not him. Further, the case should have been dismissed when Baun died since an action for specific performance and damages is a personal action which did not survive Baun's death.

The Court of Appeals' Ruling

By the trial court's Decision dated July 17, 2013,¹² the Court of Appeals affirmed. It found sufficient proof that Arcinue sold his franchise to Baun without prior notification and approval of ACLC. The transfer was done knowingly in contravention of Arcinue's Agreement for Franchise Operations with ACLC.

ACLC, on the other hand, could not have acted in bad faith. For it never approved or granted a franchise in Baun's favor. Baun was thus a mere stranger or a third-party who can never be benefited by the franchise agreement.

The Court of Appeals, nonetheless, found that Baun suffered damages due to Arcinue's tortious acts. The case was therefore for "recovery of damages for an injury to person or property" which survives even after a party's death.¹³

¹² *Id.* at 31-39.

¹³ CA Decision dated July 17, 2013, p. 8.

Arcinue sought a reconsideration which was denied under Resolution dated January 28, 2014.¹⁴

The Present Petition

Arcinue now seeks affirmative relief from the Court. He reiterates that it was ACLC which acted in bad faith and not him.¹⁵ Too, Baun's death rendered her complaint dismissible.¹⁶

In her Comment,¹⁷ respondent defends the award of damages to her as she had sufficiently established her entitlement thereto.

In his Reply,¹⁸ Arcinue claims he acted in good faith when he transferred his franchise to Baun; hence, he should not be held liable for damages.

Core Issue

Did the Court of Appeals err in affirming petitioner's liability for damages?

Ruling

We deny the petition.

First, in petitions for review on certiorari under Rule 45 of the Rules of Court, the Court is narrowly confined to the review of legal issues. Hence, the Court will not take cognizance of the factual issues here, let alone, calibrate anew the evidence which had already been thoroughly evaluated and considered twice by the tribunals below.¹⁹

In *Lorzano v. Tabayag, Jr.*,²⁰ the Court held that the propriety of the award of damages is a question of fact, thus:

For the same reason, we would ordinarily disregard the petitioner's allegation as to the propriety of the award of moral damages and attorney's fees in favor of the respondent as it is a question of fact. Thus, questions on whether or not there was a preponderance of evidence to justify the award of damages or whether or not there was a causal connection between the given set of facts and the damage suffered by the private complainant or whether or not the act from which civil liability might arise exists are questions of fact.

¹⁴ *Rollo*, pp. 41-42.

¹⁵ *Id.* at 17-19.

¹⁶ *Id.* at 23.

¹⁷ *Id.* at 107-113.

¹⁸ *Id.* at 125-128.

¹⁹ *Gatan v. Vinarao*, G.R. No. 205912, October 18, 2017, 842 SCRA 602, 610.

²⁰ 681 Phil. 39, 49-50 (2012).

Here, petitioner is essentially questioning his liability for damages claiming he did not act in bad faith in his dealings with ACLC and respondent Baun. His argument, however, requires a re-examination of the evidence presented by the parties during trial which the Court is precluded from doing so. This is especially true where the trial court's findings are adopted and affirmed by the Court of Appeals as in this case. While it is true that there are recognized exceptions to the general rule that only questions of law may be entertained in a Rule 45 petition, none obtains in this case.²¹

Second, Section 1, Rule 87 of the Rules of Court enumerates the following actions which survive the death of a party, thus: (1) recovery of real or personal property, or an interest from the estate; (2) enforcement of liens on the estate; and (3) **recovery of damages for an injury to person or property.**²²

Here, both the trial court and the Court of Appeals found petitioner to have acted in bad faith to the damage and prejudice of respondent. The lower courts thus ruled that petitioner's tortious acts were in violation of Articles 19, 20, and 21 of the Civil Code²³ warranting payment of damages.

In *Board of Liquidators v. Heirs of Kalaw*,²⁴ the Court ruled that an action for damages caused by tortious conduct survives the death of a party. For it falls under suits to recover damages for an injury to person or property, real or personal. The Court further emphasized that injury to property is not limited to injuries to specific property, but extends to other wrongs by which personal estate is injured or diminished. To maliciously cause a party to incur unnecessary expenses, as in this case, is certainly injury to that party's property.²⁵

Verily, the Court finds no cogent reason to reverse the consistent findings of the courts below holding petitioner for damages. The Court, nonetheless, modifies the interest rate imposed on the monetary awards to conform with the guidelines laid down in *Lara's Gift Shop & Decors, Inc. v. Midtown Industrial Sales, Inc.*, viz.²⁶

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²¹ *Clemente v. Court of Appeals*, 771 Phil. 113, 121 (2015).

²² Section, Rule 87 of the Rules of Court provides: *Actions which may and which may not be brought against executor or administrator.* — No action upon a claim for the recovery of money or debt or interest thereon shall be commenced against the executor or administrator; but to recover real or personal property, or an interest therein, from the estate, or to enforce a lien thereon, and actions to recover damages for an injury to person or property, real or personal, may be commenced against him.

²³ Article 19. Every person must, in the exercise of his rights and in the performance of his duties, act with justice, give everyone his due, and observe honesty and good faith.

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

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

²⁴ 127 Phil. 399, 414 (1967).

²⁵ *Id.*

²⁶ G.R. No. 225433, August 28, 2019. (Emphasis supplied)

2. **In the absence of stipulated interest**, in a loan or forbearance of money, goods, credits or judgments, the **rate of interest on the principal amount shall be the prevailing legal interest prescribed by the *Bangko Sentral ng Pilipinas***, which shall be **computed from default, i.e., from extrajudicial or judicial demand in accordance with Article 1169 of the Civil Code, UNTIL FULL PAYMENT**, without compounding any interest unless compounded interest is expressly stipulated by law or regulation. **Interest due on the principal amount accruing as of judicial demand shall SEPARATELY earn legal interest at the prevailing rate prescribed by the *Bangko Sentral ng Pilipinas*, from the time of judicial demand UNTIL FULL PAYMENT.**

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In *Estores v. Spouses Supangan*,²⁷ the Court explained the meaning of forbearance of money, viz:

Forbearance of money, goods or credits should therefore refer to arrangements other than loan agreements, where a person acquiesces to the temporary use of his money, goods or credits pending happening of certain events or fulfillment of certain conditions. In this case, the respondent-spouses parted with their money even before the conditions were fulfilled. They have therefore allowed or granted forbearance to the seller (petitioner) to use their money pending fulfillment of the conditions. **They were deprived of the use of their money for the period pending fulfillment of the conditions and when those conditions were breached, they are entitled not only to the return of the principal amount paid, but also to compensation for the use of their money.** And the compensation for the use of their money, absent any stipulation, should be the same rate of legal interest applicable to a loan since the use or deprivation of funds is similar to a loan. (emphases supplied)

Here, respondent paid petitioner ₱85,000.00 conditioned upon the supposed transfer of petitioner's franchise rights to operate ACLC's computer school. The transfer, however, never took place albeit petitioner retained respondent's payment. Respondent is thus entitled not only to the return of the principal amount she paid, but also to compensation for the use of her money.

Considering that respondent filed the complaint below against petitioner on September 11, 1997, the legal interest rate of twelve percent (12%) *per annum* applies here from judicial demand on September 11, 1997 until June 30, 2013. Beginning July 1, 2013, the effectivity of the Bangko Sentral ng Pilipinas-Monetary Board Circular No. 799, the new legal interest rate of six percent (6%) *per annum* must apply until full payment.

More, *Lara's Gift Shop & Decors, Inc.* ordains that interest due on the principal amount shall also earn legal interest at the prevailing rate prescribed by the Bangko Sentral ng Pilipinas from the time of judicial demand until full payment. Thus, the interest due on the principal amount which petitioner owes shall also earn twelve percent (12%) interest *per annum* from judicial demand on September 11, 1997 until June 30, 2013, and six percent (6%) *per annum* from July 1, 2013 until full payment.

²⁷ 686 Phil. 86, 96-97 (2012).

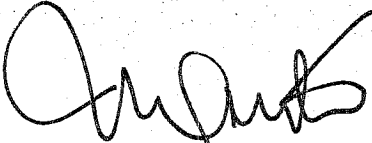
WHEREFORE, the petition is **DENIED**. The Decision dated July 17, 2013 and Resolution dated January 28, 2014 of the Court of Appeals in CA G.R. CV No. 96157 are **AFFIRMED with MODIFICATION**. Petitioner **Oscar LL. Arcinue** is **ORDERED** to pay the following to the estate of Alice Ilalo S. Baun:

- 1) ₱85,000.00 as actual damages, with legal interest at twelve percent (12%) *per annum* from judicial demand on September 11, 1997 until June 30, 2013 and six percent (6%) *per annum* from July 1, 2013 until full payment;
- 2) Legal interest on the interest due in (1) at the rate of twelve percent (12%) *per annum* from judicial demand on September 11, 1997 up to June 30, 2013, and six percent (6%) *per annum* from July 1, 2013 until full payment;
- 3) ₱50,000.00 as exemplary damages;
- 4) ₱50,000.00 as moral damages; and
- 5) Legal interest of six percent (6%) *per annum* for (4), and (5) from the finality of this Decision until fully paid.

SO ORDERED.


AMY C. LAZARO-JAVIER
Associate Justice

WE CONCUR:


DIOSDADO M. PERALTA
Chief Justice

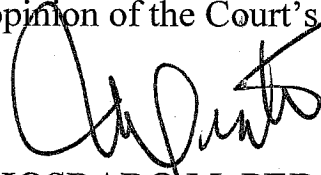
(on official leave)
ALFREDO BENJAMIN S. CAGUIOA
Associate Justice


JOSE C. REYES, JR.
Associate Justice


HENRI JEAN PAUL B. INTING
Associate Justice

CERTIFICATION

Pursuant to Section 13, Article VIII of the Constitution, 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.



DIOSDADO M. PERALTA
Chief Justice

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