



Republic of the Philippines
Supreme Court
Manila

THIRD DIVISION

MARCELINA VILLANUEVA,
doing business under the name
and style “VEDGE
TRADING”,

Petitioner,

G.R. No. 264746

Present:

CAGUIOA, J., Chairperson,
INTING,
GAERLAN,
DIMAAMPAO, and
SINGH, JJ.

- versus -

COCA-COLA BOTTLERS
PHILS., INC., JONATHAN
ERASGA, BENJAMIN I.
DEQUINA, JR., ALLAN
D. EVANGELISTA, and
EUGENIO D. EVANGELISTA,
Respondents.

Promulgated:

August 7, 2024

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DECISION

INTING, J.:

Before the Court is a Petition for Review on *Certiorari*¹ (Petition)
under Rule 45 of the Rules of Court seeking a reversal of the Decision²

¹ Rollo, pp. 10–22.

² *Id.* at 126–144. Penned by Associate Justice Alfredo D. Ampuan and concurred in by Associate Justices Pedro B. Corales and Bonifacio S. Pascua of the Special Sixteenth Division, Court of Appeals, Manila.

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dated February 18, 2022, and Resolution³ dated December 6, 2022 of the Court of Appeals (CA) in CA-G.R. CV No. 112750. The CA reversed the Decision⁴ dated December 28, 2018 of Branch 141, Regional Trial Court (RTC), Makati City in Civil Case No. 12-1152 that dismissed the Complaint⁵ dated November 15, 2012 (Complaint) for collection of a sum of money filed by respondent Coca-Cola Bottlers Philippines, Inc. (Coca-Cola) against petitioner Marcelina Villanueva (Marcelina), as well as the Third Party Complaint⁶ dated May 6, 2013 (Third Party Complaint) filed by Marcelina against third party defendants Jonathan Erasga (Erasga), Benjamin I. Dequina, Jr. (Dequina), Allan D. Evangelista (Allan), and Eugenio D. Evangelista (Eugenio) (collectively, third party defendants), both on the ground of lack of cause of action.

The Antecedents

Coca-Cola is a corporation engaged in the production, manufacture, distribution, and sale of softdrinks and other related products.⁷

On November 26, 2012, Coca-Cola filed with the RTC a Complaint⁸ for collection of a sum of money against Marcelina, docketed as Civil Case No. 12-1152.

Coca-Cola averred that it entered into a dealership agreement⁹ with Marcelina, who was doing business under the name and style, "Vedge Trading."¹⁰ Through the dealership agreement, Vedge Trading was given an exclusive area with a number of outlets where it could distribute or sell Coca-Cola products.¹¹ Coca-Cola also opened a credit line for Vedge Trading.¹² Thus, Coca-Cola products were delivered to Vedge Trading,¹³ subject to the payment term of seven days from billing day.¹⁴ As proof of

³ *Id.* at 154–156. Penned by Associate Justice Alfredo D. Ampuan and concurred in by Associate Justices Pedro B. Corales and Bonifacio S. Pascua of the Former Special Sixteenth Division, Court of Appeals, Manila.

⁴ *Id.* at 79–90. Penned by Acting Presiding Judge Ma. Caridad SJ. Villamor-Yee.

⁵ *Id.* at 26–30.

⁶ *Id.* at 62–67.

⁷ *Id.* at 27.

⁸ *Id.* at 26–30.

⁹ *Id.* at 94.

¹⁰ *Id.* at 26.

¹¹ *Id.* at 95. *See also* RTC records, p. 206, Judicial Affidavit of Melvin Ceballos.

¹² *Rollo*, p. 95.

¹³ *Id.* at 95–96.

¹⁴ RTC records, pp. 215, 217, 219, 221, 222, 224, 226, 229, 231, 232, 233, 235, 237, 239, 243, 245, 247, 249, 250, and 252, delivery invoices.



the delivery of its products, Coca-Cola presented several delivery invoices¹⁵ and a statement of account,¹⁶ among others.

Supposedly, Vedge Trading incurred past due accounts with Coca-Cola for the period of May 23, 2010 to June 21, 2010 in the total amount of PHP 649,316.00, exclusive of interests and penalties.¹⁷ Coca-Cola sent several demand letters¹⁸ to Marcelina, but the outstanding debt remained unpaid.¹⁹ Thus, it filed its Complaint against Marcelina to collect the debt.

Marcelina denied knowledge of any dealership agreement with Coca-Cola.²⁰ While she admitted that she registered a business in the name of “V.E.D.G.E. Trading” with the Department of Trade and Industry (DTI),²¹ she asserted that it was her nephews Allan, Dequina, Erasga, and Eugenio, who managed the business. Marcelina thus filed her Third Party Complaint²² against her nephews, insisting that they are the ones who must be held liable for the delivered yet unpaid products of Coca-Cola.

Marcelina particularly testified²³ that her nephews enticed her to finance and invest in the business of trading, distributing, or selling softdrinks. However, Dequina and Erasga were both sales representatives of Coca-Cola. As such, they were prohibited from engaging in a dealership with Coca-Cola.²⁴ Marcelina thus agreed to be the registered owner of “V.E.D.G.E. Trading,” which stood for her and her nephews’ surnames, i.e., Villanueva, Erasga, Dequina, and Evangelista.²⁵ Resultantly, on August 18, 2009, the DTI issued a Certificate of Business Name Registration²⁶ to Marcelina as the registered owner of “V.E.D.G.E. Trading.”

According to Marcelina, she gave her nephews a total of PHP 325,000.00 as capital for the business, but she never received any profits or returns for her investment. She maintained that she had no

¹⁵ *Id.* at 215–254, Exhibit “B” series.

¹⁶ *Id.* at 255, Exhibit “C”.

¹⁷ *Id.* at 96–97; *id.* at 60, Trading Summary of Past Due of Vedge Trading.

¹⁸ *Id.* at 256, Letter dated July 7, 2010; *id.* at 258, Letter dated October 6, 2010; *id.* at 261, Letter dated October 22, 2010; *id.* at 265, Letter dated July 26, 2012.

¹⁹ *Rollo*, p. 96.

²⁰ *Id.* at 50–55, Answer.

²¹ *Id.* at 56, Certificate of Business Name Registration issued by the DTI to Marcelina A. Villanueva.

²² *Id.* at 62–67.

²³ RTC records, p. 525.

²⁴ *Id.* at 296–297, Judicial Affidavit of Marcelina A. Villanueva; TSN, Marcelina A. Villanueva, October 3, 2017, pp. 27–28.

²⁵ *Id.*

²⁶ *Rollo*, p. 56; RTC records, p. 539, Exhibit “1”.

participation in the business, and that Erasga was the operations manager of Vedge Trading while Allan, Dequina, and Eugenio were the sales representatives. Supposedly, on March 13, 2010, she appeared before Barangay Daniel Fajardo, Las Piñas City²⁷ and declared before the Barangay Chairperson that from then on, she was “severing [her] ties and partnership with the Third party defendants.”²⁸ Further, on December 12, 2012, she executed an Affidavit of No Operation,²⁹ stating that Vedge Trading “did not operate since year 2010[.]” Thus, on December 18, 2012, the City Treasurer of Las Piñas issued a Certification,³⁰ stating that Vedge Trading “has ceased its operation and officially retired effective December 18, 2012[.]”

On cross-examination, Marcelina stated that she visited the warehouse of Vedge Trading every afternoon to see what was happening in its operations.³¹ She also admitted that Allan, Dequina, and Eugenio were mere employees of Vedge Trading.³²

Meanwhile, Allan, Dequina, and Eugenio denied liability for the claims of Coca-Cola supposedly because they were mere employees of Vedge Trading.³³ Allan particularly testified that: Erasga and Marcelina put up Vedge Trading in 2009; Erasga was the one who managed the business; Allan sold Coca-Cola products and remitted the proceeds of the sale to Erasga; and he frequently saw Marcelina at the warehouse of Vedge Trading together with Erasga, and that he often heard the two discussing the finances of Vedge Trading.³⁴ Similarly, Eugenio mentioned that: while he usually remitted to Erasga the payments for the Coca-Cola products that he had sold, he once remitted purchase payments to Marcelina; and Erasga managed the business, but Eugenio often saw him together with Marcelina at the business’ *bodega* or warehouse.³⁵

As to Erasga, he did not file his answer to the Third Party Complaint despite service of Summons³⁶ and Alias Summons.³⁷ Thus, upon Motion³⁸

²⁷ *Id.* at 75. See Consolidated Answer to Third Party Complaint.

²⁸ *Id.* at 296–298, Judicial Affidavit of Marcelina A. Villanueva; *id.* at 304, logbook entry dated March 13, 2010.

²⁹ RTC records, p. 305.

³⁰ *Id.* at 306.

³¹ *Rollo*, p. 137; TSN, Marcelina A. Villanueva, October 3, 2017, pp. 20–21.

³² TSN, Marcelina A. Villanueva, October 3, 2017, p. 23.

³³ *Rollo*, pp. 74–75, Consolidated Answer to Third Party Complaint.

³⁴ RTC records, pp. 286–287, Judicial Affidavit of Allan D. Evangelista.

³⁵ *Id.* at 280–284, Judicial Affidavit of Eugenio D. Evangelista.

³⁶ *Id.* at 146.

³⁷ *Id.* at 321.

³⁸ *Id.* at 324–325. Motion to Declare Third Party Defendant Jonathan Eraga in Default.



of Marcelina, the RTC issued its Order³⁹ dated February 6, 2017, declaring Erasga in default.

The Ruling of the RTC

After due proceedings, the RTC rendered its Decision⁴⁰ dated December 28, 2018, dismissing the Complaint and Third Party Complaint for lack of cause of action, viz.:

WHEREFORE, foregoing considered, plaintiff's Complaint is DISMISSED for lack of cause of action. Defendant/third-party plaintiff Villanueva's counterclaims are all DENIED. The Third-Party Complaint is likewise DISMISSED for lack of cause of action.

No pronouncement as to costs.

SO ORDERED.⁴¹

The RTC doubted Coca-Cola's assertion that it entered into a dealership agreement with Marcelina under the business, "Vedge Trading", because the dealership agreement was never presented in evidence. Nevertheless, considering the several invoices that it offered into evidence, the RTC determined that Coca-Cola has sufficiently proven that it was entitled to payment for its products.⁴²

However, the RTC ruled that Vedge Trading was in truth a partnership between Marcelina and Erasga as the two agreed to contribute funds to run a business. It was therefore the partnership which was liable for the unpaid Coca-Cola products, and the personal assets of the partners, Erasga and Marcelina, may be made liable for the partnership's debts only after the partnership assets have been exhausted.⁴³ Given that the partnership was not impleaded, the RTC concluded that Coca-Cola had no cause of action against Marcelina. For the same reason, the RTC dismissed the Third Party Complaint for lack of cause of action.⁴⁴

³⁹ *Id.* at 365.

⁴⁰ *Rollo*, pp. 79-90.

⁴¹ *Id.* at 89-90.

⁴² *Id.* at 84.

⁴³ *Id.* at 88.

⁴⁴ *Id.* at 89.



Coca-Cola appealed⁴⁵ the RTC Decision to the CA which was docketed as CA-G.R. CV No. 112750. The appeal impleaded Marcelina, and all third party defendants, including Erasga.⁴⁶

The Ruling of the CA

In its Decision⁴⁷ dated February 18, 2022, the CA granted Coca-Cola's appeal and reversed the RTC Decision, viz.:

WHEREFORE, the appeal is GRANTED. The Decision dated 28 December 2018, of the Regional Trial Court, Branch 141, Makati City, in Civil Case No. 12-1152 is hereby SET ASIDE.

Defendant-appellee Marcelina Villanueva is ORDERED to PAY plaintiff-appellant Coca-Cola Bottlers Phils., Inc. the following amounts:

1. Principal amount of [PHP] 649,316.00 plus twelve percent (12%) legal interest per *annum* counted from the date of extrajudicial demand on 27 July 2012 until 30 June 2013, and six percent (6%) legal interest per *annum* from 01 July 2013 until full payment; and
2. Interest due on the principal amount of the loan as of judicial demand shall separately earn twelve percent (12%) legal interest per *annum* counted from 26 November 2012, the date of judicial demand, until 30 June 2013, and six percent (6%) legal interest per *annum* from July 1, 2013 until full payment.

SO ORDERED.⁴⁸

The CA determined that Marcelina was liable for the unpaid Coca-Cola products delivered to Vedge Trading as evidenced by several delivery invoices and statement of account.⁴⁹ The CA held that the documents were entries in the course of business which were *prima facie*

⁴⁵ *Id.* at 91–107, Appellant's Brief; RTC records, pp. 642–644, Notice of Appeal dated January 30, 2019.

⁴⁶ *CA rollo*, pp. 66–82, Appellant's Brief.

⁴⁷ *Rollo*, pp. 126–144.

⁴⁸ *Id.* at 142–143.

⁴⁹ *Id.* at 140.



proof of their contents pursuant to Rule 130, Section 43⁵⁰ of the Rules of Court.⁵¹

According to the CA, the evidence established that Marcelina repeatedly represented herself as the sole proprietor of Vedge Trading. It relied on Marcelina's judicial admissions, particularly, that she registered Vedge Trading in her name, and that she frequented the warehouse of Vedge Trading during its operations.⁵² The CA also gave weight to Allan's testimony, wherein he stated that in the course of his employment, he frequently saw Marcelina at the warehouse of Vedge Trading.⁵³ It thus concluded that Coca-Cola was entitled to collect from Marcelina.

Marcelina filed her Motion for Reconsideration⁵⁴ of the CA Decision, but the CA denied it in its Resolution⁵⁵ dated December 6, 2022.

Thus, the present Petition.⁵⁶

Petitioner's Arguments

In her Petition, Marcelina ascribes error to the CA and argues that the written dealership agreement was never presented by Coca-Cola; hence, its Complaint had no leg to stand on.⁵⁷ Marcelina further questions the credibility of Coca-Cola's witnesses because they had no personal knowledge of Marcelina's supposed involvement in Vedge Trading.⁵⁸ She maintains that the third party defendants are the ones who ran the business and must therefore be made liable for the unpaid Coca-Cola products.⁵⁹

⁵⁰ RULES OF COURT, Rule 130, sec. 43 states:

SECTION 43. *Entries in the course of business.* – Entries made at, or near the time of the transactions to which they refer, by a person deceased, or unable to testify, who was in a position to know the facts therein stated, may be received as prima facie evidence, if such person made the entries in his professional capacity or in the performance of duty and in the ordinary or regular course of business or duty.

⁵¹ *Rollo*, p. 141.

⁵² *Id.* at 136–137.

⁵³ *Id.* at 138.

⁵⁴ *Id.* at 145–152.

⁵⁵ *Id.* at 154–156.

⁵⁶ *Id.* at 10–22.

⁵⁷ *Id.* at 16–17.

⁵⁸ *Id.* at 18.

⁵⁹ *Id.* at 14–15.

Respondents' Arguments

In its Comment,⁶⁰ Coca-Cola avers that Marcelina was correctly held liable for its unpaid products because Marcelina represented herself as the sole proprietor of Vedge Trading. It argues that the presentation of the written dealership agreement was not fatal to its cause because the totality of its documentary and testimonial evidence is sufficient to prove the existence of the contract.

Meanwhile, in their Comment,⁶¹ Allan, Dequina, and Eugenio argue that they cannot be liable for the unpaid products of Coca-Cola under the dealership agreement because they are not parties thereto. They also emphasize Marcelina's admission that they are mere employees of Vedge Trading.

The Issues

The core issues before the Court are: (1) whether the CA correctly ruled that Marcelina was liable to Coca-Cola for its unpaid products in the principal amount of PHP 649,319.00 and corresponding interests thereon; and (2) whether the third party defendants are liable for the unpaid products of Coca-Cola.

The Ruling of the Court

The Court affirms the CA Decision with modification. Marcelina is liable to Coca-Cola for the entire unpaid obligation. However, the Court finds that Marcelina and Erasga entered into an unregistered partnership; thus, after paying the debt, Marcelina may claim from Erasga the reimbursement of his *pro rata* share in the debt to Coca-Cola.

Coca-Cola and Vedge Trading entered into a dealership agreement. Thus, Coca-Cola is entitled to collect payments for its delivered yet unpaid products

⁶⁰ *Id.* at 186–198.

⁶¹ *Id.* at 205–210.

Marcelina argues that the dealership agreement was not sufficiently proven because the written contract between the parties was never presented in court. The Court disagrees.

While a written dealership agreement between Coca-Cola and Vedge Trading was never presented during trial, the Court finds that the existence and execution of the contract was sufficiently established.

The delivery invoices⁶² presented by Coca-Cola uniformly state that the customer, Vedge Trading, agrees that all its “*purchases* from [Coca-Cola] shall be paid on the due date.” With the transaction, Vedge Trading was authorized to sell Coca-Cola products to outlets within a defined territory.

The dealership agreement in question is therefore a *contract of sale* of goods,⁶³ whereby Coca-Cola, as seller, sold its products in bulk or wholesale to Vedge Trading, for a price certain to be paid at a later date, so that the latter may re-sell the products to other outlets.

Significantly, there is nothing in the Civil Code which requires the contract of sale between Coca-Cola and Vedge Trading to be in written form. Instead, the Court has consistently held that a contract of sale of goods, as in the case at bar, is *perfected by mere consent*.⁶⁴ There is therefore no merit in Marcelina’s argument that the non-presentation of the purported written dealership agreement was fatal to Coca-Cola’s cause.

The Court is aware that under the Statute of Frauds in Article 1403,⁶⁵ paragraph 2(d) of the Civil Code, an agreement for the sale of

⁶² RTC records, pp. 215–253, Exhibit “B” series.

⁶³ See *Bernardo v. Caltex (Phils.), Inc.*, 290 Phil. 591 (1992); *Mobil Oil Phil., Inc. v. Court of Appeals*, 259 Phil. 1138 (1989); and *Integrated Packaging Corp. v. Court of Appeals*, 388 Phil. 835 (2000).

⁶⁴ See *Traders Royal Bank v. Cuison Lumber Co., Inc.*, 606 Phil. 700 (2009); *Cordial v. Miranda*, 401 Phil. 307 (2000).

⁶⁵ CIVIL CODE, art. 1403, par. 2(d) states:

ARTICLE 1403. The following contracts are unenforceable, unless they are ratified:

....

(2) Those that do not comply with the Statute of Frauds as set forth in this number. In the following cases[,] an agreement hereafter made shall be unenforceable by action, unless the same, or some note or memorandum, thereof, be in writing, and subscribed by the party charged, or by his agent; evidence, therefore, of the agreement cannot be received without the writing, or a secondary evidence of its contents:

....

(d) An agreement for the sale of goods, chattels or things in action, at a price not less than five hundred pesos, unless the buyer accept and receive part of such goods and chattels, or the evidences,

goods at a price not less than five hundred pesos is unenforceable. However, the Statute of Frauds applies only to executory and not to completed, executed, or partially executed contracts.⁶⁶ In this regard, the Court has ruled that when the seller in a contract of sale has complied with its obligation to deliver the goods, the contract is considered partially executed or performed; thus, the Statute of Frauds will not apply.⁶⁷

In the case, the dealership agreement between the parties and Coca-Cola's delivery of its products to Vedge Trading were sufficiently proven.

First, several delivery invoices signed by an authorized representative of Vedge Trading were presented by Coca-Cola to prove delivery. Notably, the invoices⁶⁸ addressed to "Vedge Trading" and "Villanueva, Marcelina" repeatedly require the signature of Vedge Trading's representative as certification that the goods were *received*, personally counted, and found to be in good order and condition:

TRANSACTION CERTIFIED BY CUSTOMER

Please sign below to certify that the full goods received were personally counted and found to be in good order and condition by authorized customer representative.

(signed)

Customer Signature over printed name

Relevantly, the Court has previously considered delivery invoices as *actionable documents*, being *proof* of a *contract* of sale, *delivery* of the goods subject of the sale, and *receipt* thereof by the buyer.⁶⁹ This was applied by the Court in *Chevron Philippines, Inc. v. Looyuko*,⁷⁰ where therein petitioner filed a complaint against therein respondent for the payment of the petroleum products that were delivered to a refinery business. The respondent admitted that he was the registered owner of the

or some of them, of such things in action, or pay at the time some part of the purchase money; but when a sale is made by auction and entry is made by the auctioneer in his sales book, at the time of the sale, of the amount and kind of property sold, terms of sale, price, names of the purchasers and person on whose account the sale is made, it is a sufficient memorandum[.]

⁶⁶ See *Cordial v. Miranda*, *supra* note 64; *Clemeno, Jr. v. Lobregat*, 481 Phil. 336, 350 (2004).

⁶⁷ *Id.*

⁶⁸ RTC records, pp. 215, 217, 219, 221, 222, 224, 226, 229, 231, 232, 233, 235, 237, 239, 243, 245, 247, 249, 250, and 252.

⁶⁹ See *Chevron Philippines, Inc. v. Looyuko*, G.R. No. 236525, March 29, 2023; *Integrated Packaging Corp. v. Court of Appeals*, 388 Phil. 835 (2000). See also *Subic Bay Distribution, Inc. v. Western Guaranty Corp.*, G.R. No. 220613, November 11, 2021.

⁷⁰ *Id.*

refinery business, but nonetheless denied liability for the petroleum products because there was no written contract of sale between the parties. However, the Court ruled that petitioner's invoices were actionable documents, which took the transactions outside the coverage of the Statute of Frauds. Further, as the registered owner of the refinery business, respondent was disputably presumed to know of the transactions covered by the invoices and should have specifically denied them under oath, but he failed to do so. As such, the invoices were taken as *prima facie* proof that respondent was a party to the transaction and that he received the petroleum products from petitioner, as to render him liable for payment of the goods, to wit:

The fact that respondent Alberto admitted to being the registered proprietor of Noah's Ark Sugar Refinery in his Answer with Counter-Claim brings to the foreground other facts that are easily ascertainable by him (or presumed to be known by him) as such. For example, the records and files of Noah's Ark Sugar Refinery relative to the questioned transactions should have been easily produced, or if they were non-existent, then respondent Alberto would have easily presented the relevant employees of the refinery to aver the non-existence of any purchase order or delivery of petitioner's bunker fuel. But here, respondents' own evidentiary efforts fall short of the burden of evidence, which is defined under the same Section 1, Rule 131 as "the duty of a party to present evidence sufficient to establish or rebut a fact in issue to establish a prima facie case."

It was thus incumbent upon respondents, or specifically respondent Alberto, to aver in response to petitioner's claim the relevant facts relating to the controversy. *Having admitted to being the refinery's proprietor, he was presumed to know at least the critical aspects of the refinery's operations, such as any major debts incurred.* Even Section 3 (d), Rule 131 of the Revised Rules on Evidence makes it a disputable presumption "[t]hat a person takes ordinary care of his or her concerns." But his mere flat-out denials averring no personal knowledge of the questioned transactions, purchases, and deliveries, coupled with his failure to state any affirmative defense with supporting evidence, cannot be considered by the Court as sufficient specific denials. These are indeed, to his own detriment, admissions.

Further, the Court notes that the 105 invoices actually constituted actionable documents that needed to be contested in the manner provided in Section 8, Rule 8 of both the 1997 and 2019 Rules of Court, viz.:

Section 8. *How to contest such documents.* —
Where an action or defense is founded upon a written instrument, copied in or attached to the corresponding pleading as provided in the preceding action, the



genuineness and due execution of the instrument shall be deemed admitted unless the adverse party, under oath, specifically denies them, and sets forth what he claims to be the facts; but the requirements of an entry does not apply when the adverse party does not appear to be a party to the instrument or when compliance with an order for an inspection of the original instrument is refused.

Since respondent Alberto admitted to being the refinery's proprietor, the fact that the refinery's name appeared on all 105 invoices makes it appear that he (through his business name) was a party thereto. Thus, respondent Alberto was required to contest under oath the genuineness and due execution of the invoices. The invoices themselves are actually *presumed* to have happened in the ordinary course of business in accordance with Section 3 (q), Rule 131 of the Revised Rules on Evidence, which presume "[t]hat the ordinary course of business has been followed." *His flat-out denials of any personal knowledge or participation in the questioned transactions, purchases, or deliveries — even under oath, but without any further explanations or supporting evidence — are thus [insufficient] to be specific denials.* Crucially, when a party fails to contest an actionable document in the proper manner, the genuineness and due execution of the actionable document will be impliedly admitted.

....

. . . *The portion where the customer or customer's representative puts his or her name and signature to evidence the refinery's receipt of the bunker fuel makes an invoice here not merely evidentiary in nature.* Precisely because they are *prima facie* evidence of the refinery's receipt of petitioner's petroleum products and services, they are outside the coverage of the Statute of Frauds and are thus *indicative of an underlying purchase or sale between petitioner and Noah's Ark Sugar Refinery.* And since respondent Alberto admitted to being the refinery's proprietor (the name of which appeared on the 105 invoices), and since he failed to deny employing or authorizing the refinery's employees who accepted and received the bunker fuel, he *prima facie* appeared to be a party to the invoices. He was thus under an obligation to properly contest the 105 invoices as actionable documents in accordance with the Rules of Court. He evidently failed to do so.⁷¹ (Emphasis supplied)

The circumstances in *Looyuko* are analogous to the case at bench. The Court stresses that with Marcelina's admission that she is the registered owner of Vedge Trading, she is disputably *presumed* to take

⁷¹ *Id.*



ordinary care of her concerns⁷² and to know the transactions pertinent to the business registered in her name. Given that the delivery invoices of Coca-Cola are actionable documents, it was incumbent upon Marcelina to specifically deny the invoices under oath and set forth what she claims to be the facts in accordance with the Rules of Court, Rule 8, Section 8,⁷³ yet she failed to do so. Certainly, Marcelina's general disavowal of knowledge of the transactions covered by the delivery invoices upon her bare and unsupported assertion that it was her nephews who managed the business is insufficient compliance with the rules. As such, the delivery invoices must stand as *prima facie* proof not only of the sale transaction between Marcelina and Coca-Cola, but also of delivery of Coca-Cola's products and Marcelina's receipt thereof.

Second, Allan's testimony⁷⁴ reveals that Coca-Cola products were delivered to Vedge Trading's warehouse which he then resold to several outlets:

5. Q: Kanina may sinabi na nagka problema siya [Marcelina] sa Coca-Cola. Ano ang problema na ito?
A: *Kasi yung VEDGE hindi naka bayad ng mga dineliver ng Coca-Cola.*
....
10. Q: Ano ang mga ginagawa mo at responsibilidad mo sa VEDGE?
A: Taga deliver ako ng softdrinks. Parang ahente at pahinante ang trabaho ko diyan. *Pagka kuha ng softdrinks, binebenta ito sa labas, at pagka kuha ng bayad, diretso remit agad kay Boss Jay.*⁷⁵ (Emphasis supplied)

⁷² REV. RULES ON EVIDENCE, Rule 131, sec. 3(d) creates a disputable presumption that "a person takes ordinary care of his or her concerns."

⁷³ The 1997 Rules on Civil Procedure, Rule 8, sec. 8, which is the procedural rule in effect at the time relevant to the case, states:

SECTION 8. *How to contest such documents.* — Where an action or defense is founded upon a written instrument, copied in or attached to the corresponding pleading as provided in the preceding action, the genuineness and due execution of the instrument shall be deemed admitted unless the adverse party, under oath, specifically denies them, and sets forth what he claims to be the facts; but the requirements of an oath does not apply when the adverse party does not appear to be a party to the instrument or when compliance with an order for an inspection of the original instrument is refused.

⁷⁴ RTC records, pp. 285–288, *see* Judicial Affidavit of Allan D. Evangelista dated January 22, 2016.

⁷⁵ *Id.* at 286, Judicial Affidavit of Allan D. Evangelista.



Finally, Marcelina herself testified that she frequented the warehouse of Vedge Trading to check on its business *operations*,⁷⁶ which included the trading of Coca-Cola products to outlets:

Q During the operation of the VEDGE Trading, did you visit the physical or the place of operation of VEDGE Trading?

A Yes, every afternoon.

Q Every afternoon, and what do you do there?

A I just visit the store only to see what's happening or –

Q What's happening in the operation of the business?

A Yes.⁷⁷

In fine, the circumstances show that Coca-Cola and Marcelina entered into the dealership agreement, and that Coca-Cola fulfilled its obligation to Vedge Trading under their contract of sale, i.e., to deliver its products. As such, the transactions subject of the present case are outside the coverage of the Statute of Frauds, and Coca-Cola is entitled to collect payment for its unpaid products that have been previously delivered to Vedge Trading.

Marcelina, being the registered owner of "Vedge Trading," is liable for the transactions with Coca-Cola in accordance with Act No. 3883

Despite her admission that she registered Vedge Trading in her name, Marcelina denies liability on the unpaid products of Coca-Cola because it was allegedly her nephews who managed the business. The argument is unavailing.

Act No. 3883,⁷⁸ Section 1, as amended by Act No. 4147, deems it *unlawful* for any person to use any name in connection with his or her business other than his or her true name, without first registering such other business name with the DTI, together with his or her true name *and*

⁷⁶ *Rollo*, p. 137; TSN, Marcelina A. Villanueva October 3, 2017, pp. 20–21.

⁷⁷ TSN, Marcelina A. Villanueva, October 3, 2017, pp. 20–21.

⁷⁸ An Act to Regulate the Use in Business Transactions of Names Other Than True Names, Prescribing the Duties of the Director of the Bureau of Commerce and Industry in Its Enforcement, Providing Penalties for Violations Thereof, and for Other Purposes. Approved on November 14, 1931.

that of any other person having a joint or common interest with him or her in such business:

SECTION 1. *It shall be unlawful for any person to use or sign, on any written or printed receipt, including receipt for tax on business, or on any written or printed contract not verified by a Notary Public, or on any written or printed evidence of any agreement or business transactions, any name used in connection with his business other than his true name, or keep conspicuously exhibited in plain view in or at the place where his business is conducted, if he is engaged in a business, any sign announcing a firm name or business name or style, without first registering such other name, or such firm name, or business name, or style, in the Bureau of Commerce (now Department of Trade and Industry) together with his true name and that of any other person having a joint or common interest with him in such contract, agreement, business transaction, or business. (Emphasis supplied)*

Relevantly, in situations mandating the registration of ownership of property,⁷⁹ the Court has held that the main purpose of the law is the *easy identification of the owner* who can be held responsible for any accident, damage or injury caused by the property registered.⁸⁰ Thus, the Court decreed that *the public has the right to assume that the registered owner is the actual or lawful owner of the property*; otherwise, it would be very difficult and often impossible for the members of the general public to enforce its rights of action that they may have against the property owner.⁸¹

Similarly, Act No. 3883 was enacted for the *protection* of the members of the general public who deal with businesses being operated under a name other than the true name of the owner.⁸² It seeks the prevention of tremendous confusion in the field of trade, wherein businesses would be operated under fictitious names, with the true owner being obscured from the public.⁸³

⁷⁹ See Act No. 3992, sec. 5(a), which states:

SECTION 5. (a) *Motor Vehicles must be Registered.* — No motor vehicle shall be used or operated on, or upon any public highway of the Philippine Islands unless the same is properly registered for the current year in accordance with the provisions of this Act.

⁸⁰ See *Erezo v. Jepte*, 102 Phil. 103, 108 (1957); *Villanueva v. Domingo*, 481 Phil. 837, 846 (2004).

⁸¹ See *Benedicto v. Intermediate Appellate Court*, 265 Phil. 593, 599 (1990).

⁸² Rule I, sec. 2.1 of DTI Administrative Order No. 18-07 issued on August 13, 2018, states:

SECTION 2. *Objective.* — The objectives of these Rules are the following:

2.1 To regulate the use of business names by businesses in their transactions and thereby protect the public dealing with such businesses through the disclosure of the name and the real identity of the owner or person operating the business[.]

⁸³ See *Ursua v. Court of Appeals*, 326 Phil. 157, 165–166 (1996).

Thus, the Court finds it proper to hold that pursuant to Act No. 3883, members of the public who transact with businesses being operated under a name different from the true name of the owner *has a right to assume that the registered owner is the actual or lawful owner thereof*. Further, for the policy of the law to be enforced, *the registered owner cannot be allowed to prove the contrary and evade liability to prejudiced third persons*, but he or she may seek *indemnity or reimbursement* from the actual operator of the business at the time the injury was caused to a third party.⁸⁴ A contrary ruling would make it very difficult for the transacting public to maintain an action against the owner should the business incur obligations, which would certainly defeat the very purpose of the law, i.e., to protect members of the general public who transact with such businesses.⁸⁵

In the case, Marcelina herself admitted that she registered Vedge Trading in her name. Indeed, on August 18, 2009, DTI issued the Certificate of Registration of Business Name⁸⁶ to “Marcelina Aranda Villanueva,” for “V.E.D.G.E. TRADING.” Likewise, the local treasurer of Las Piñas City issued a Certificate,⁸⁷ stating that “V.E.D.G.E. TRADING [is] under the proprietorship of MARCELINA ARANDA VILLANUEVA[.]”

Clearly, Coca-Cola cannot be faulted in relying upon the DTI Certificate and other related documents wherein Marcelina was identified as the proprietor of Vedge Trading. Simply, because Marcelina is the registered owner of Vedge Trading, Coca-Cola rightly demanded payment from her for the unpaid products that it previously delivered to Vedge Trading. For the policy behind Act No. 3883 to be enforced, Marcelina cannot be allowed to evade liability to Coca-Cola by proving that someone else is the true owner of the business, but she may seek reimbursement from the other *actual* business owners, as further discussed below.

Marcelina is estopped from denying liability for the transactions with Coca-Cola because she led the public to

⁸⁴ See *FEB Leasing and Finance Corp. v. Spouses Baylon*, 668 Phil. 184, 196–197 (2011); *BA Finance Corp. v. Court of Appeals*, 290 Phil. 199, 210 (1992).

⁸⁵ *Id.*

⁸⁶ *Rollo*, p. 56; RTC records, p. 539, Exhibit “1”.

⁸⁷ RTC records, p. 542, Exhibit “4”.

believe that she was the sole owner of Vedge Trading

Moreover, as correctly pointed out by the CA, Marcelina must be made liable for Coca-Cola's claims given that she repeatedly represented herself as the owner of Vedge Trading; hence, Marcelina must be deemed *estopped* from denying liability for Coca-Cola's unpaid products.⁸⁸

Through estoppel, an admission or representation is rendered *conclusive* upon the person making it, and cannot be denied or disproved as against the person relying thereon.⁸⁹ The elements of estoppel are: *first*, the actor who usually must have knowledge, notice or suspicion of the true facts, communicates something to another in a misleading way, either by words, conduct or silence; *second*, the other in fact relies, and relies reasonably or justifiably, upon that communication; *third*, the other would be harmed materially if the actor is later permitted to assert any claim inconsistent with his earlier conduct; and *fourth*, the actor knows, expects or foresees that the other would act upon the information given or that a reasonable person in the actor's position would expect or foresee such action.⁹⁰

All the elements of estoppel are present in the case at hand.

First, Marcelina held herself out to the public as the registered sole proprietor of Vedge Trading. The Court stresses that when Marcelina registered "Vedge Trading" in her name, she knew that the business will be operated together with Erasga. The business name even stood for her and her nephews' surnames, Villanueva, Erasga, Dequina, and Evangelista.⁹¹ She also admitted that she registered as the sole owner of Vedge Trading because Erasga was a Coca-Cola sales representative at that time and was thus prohibited from entering into a dealership agreement with Coca-Cola.⁹² Marcelina and Erasga were able to circumvent the foregoing prohibition and engage in a dealership with Coca-Cola only by misrepresenting Marcelina as the sole owner of Vedge Trading.

⁸⁸ See *Lim v. Court of Appeals*, 424 Phil. 457 (2002).

⁸⁹ CIVIL CODE, art. 1431.

⁹⁰ See *British American Tobacco v. Camacho*, 584 Phil. 489, 513–514 (2008), citing *Philippine Bank of Communications v. Court of Appeals*, 352 Phil. 1, 9 (1998).

⁹¹ RTC records, p. 297, Judicial Affidavit of Marcelina A. Villanueva.

⁹² *Id.* at 296–297, Judicial Affidavit of Marcelina A. Villanueva.



Second, in transacting with Vedge Trading, Coca-Cola relied upon Marcelina's status as registered owner of the business. Indeed, the delivery invoices and statement of account issued by Coca-Cola all identify Marcelina as the owner of Vedge Trading. Coca-Cola even addressed its Demand Letter⁹³ to Marcelina and filed its Complaint⁹⁴ for collection of a sum of money only against Marcelina.

Third, Coca-Cola stands to suffer if Marcelina is permitted to disavow her status as owner of Vedge Trading. Indeed, because of Marcelina's misrepresentation, Coca-Cola's Complaint was even dismissed by the RTC for lack of cause of action and it was unable to collect the unpaid obligation of PHP 649,316.00, exclusive of interest.

Fourth, Marcelina intended Coca-Cola to act upon her false representation of sole proprietorship of Vedge Trading. To repeat, at the onset, she and Erasga intended to circumvent the prohibition against Erasga, a Coca-Cola sales representative, from entering into dealership agreements with Coca-Cola.

By holding herself out to the public as the sole registered owner of Vedge Trading, even though this was not the case, Marcelina must bear the consequences of her own misrepresentation to the public. She must therefore be found liable for the entire unpaid obligation to Coca-Cola in the total amount of PHP 649,316.00, exclusive of interest.

A partnership was created by Marcelina and Erasga. Thus, Marcelina may demand reimbursement from Erasga for his pro rata share in the debt to Coca-Cola

Marcelina denies any liability to Coca-Cola, alleging that it was her nephews, the third party defendants, who managed Vedge Trading. Supposedly, she never had any participation in the business.

The argument is belied by the evidence on record. To the contrary, the Court finds that Marcelina and Erasga entered into a contract of

⁹³ *Id.* at 265–266, Exhibit “I”.

⁹⁴ *Id.* at 1–5.

partnership to operate the business of Vedge Trading, i.e., the business of distributing, selling or trading Coca-Cola products, and that she actively engaged in the management of the partnership's business.

By the contract of partnership, two or more persons bind themselves to contribute money, property, or industry to a common fund, with the intention of dividing the profits among themselves.⁹⁵ The requisites of a partnership are: *first*, two or more persons bind themselves to contribute money, property, or industry to a common fund; and *second*, intention on the part of the partners to divide the profits among themselves.⁹⁶

A partnership agreement is a *consensual* contract and may be constituted in *any form*, unless it falls under Article 1771 of the Civil Code, i.e., where immovable property or real rights are contributed to the partnership, a public instrument is necessary.⁹⁷ Verily, while Article 1772⁹⁸ of the Civil Code requires every contract of partnership with a capital of PHP 3,000.00 or more to be recorded with the Securities and Exchange Commission (SEC), the same provision of law states that failure to comply therewith "shall not affect the liability of the partnership and the members thereof to third persons." Thus, while the best evidence of a partnership is undoubtedly the written articles of partnership, it may still be established with other evidence, especially when the partnership was never *formally organized*.⁹⁹

Here, the first element of a partnership contract is supported by evidence. As borne by the records, Marcelina registered Vedge Trading in her name, which stood for her and her nephews' surnames.¹⁰⁰ Marcelina also invested in Vedge Trading in the amount of PHP 325,000.00.¹⁰¹ Allan, Dequina, and Eugenio similarly averred that Erasga provided cash capital for the business; that Marcelina was often seen at Vedge Trading's warehouse; and that she and Erasga discussed the finances of Vedge

⁹⁵ CIVIL CODE, art. 1767.

⁹⁶ See *Dan Fue Leung v. Intermediate Appellate Court*, 251 Phil. 681, 689 (1989).

⁹⁷ See *Tocao v. Court of Appeals*, 396 Phil. 166, 177 (2000).

⁹⁸ CIVIL CODE, art. 1772 states:

ARTICLE 1772. Every contract of partnership having a capital of three thousand pesos or more, in money or property, shall appear in a public instrument, which must be recorded in the Office of the Securities and Exchange Commission.

Failure to comply with the requirements of the preceding paragraph shall not affect the liability of the partnership and the members thereof to third persons.

⁹⁹ See *Heirs of Lim v. Lim*, 628 Phil. 40, 47-48 (2010).

¹⁰⁰ RTC records, p. 297, Judicial Affidavit of Marcelina A. Villanueva.

¹⁰¹ *Id.*



Trading.¹⁰² Marcelina herself admitted that she frequented the warehouse of Vedge Trading to check on the business.¹⁰³

The second element of a partnership is also present. As admitted by Marcelina, she expected returns or profits from her investment in the partnership.¹⁰⁴ However, because she supposedly never received returns on her investment, she wrote a declaration letter¹⁰⁵ at Barangay Daniel Fajardo, Las Piñas City,¹⁰⁶ stating that from then on, she was “severing [her] ties and *partnership* with the Third party defendants.”¹⁰⁷ Evidently, Marcelina agreed with Erasga to share in the profits of the partnership.

Taken together, the evidence supports the conclusion that Erasga and Marcelina contributed not only money but also industry to the partnership, that they agreed to split the profits generated by the business between themselves, and that they co-managed the partnership business. Although their partnership agreement was not reduced in writing and was never duly registered with the SEC, it remains valid *as between the partners*.¹⁰⁸

Verily, in accordance with Article 1768¹⁰⁹ of the Civil Code, an unregistered partnership remains binding between the parties because registration serves chiefly to bind third persons.¹¹⁰ Otherwise stated, the failure to register a contract of partnership shall not invalidate it as between the partners, because the main purpose of registration is to give notice to third parties, and it can be assumed that the partners themselves knew of the terms of their contract.¹¹¹

Pertinently, Article 1816 of the Civil Code states that “[a]ll partners, including industrial ones, shall be liable *pro rata* with all their property and after all the partnership assets have been exhausted, for the contracts which may be entered into in the name and for the account of

¹⁰² *Id.* at 286–287, Judicial Affidavit of Allan D. Evangelista.

¹⁰³ *Rollo*, p. 137; TSN, Marcelina A. Villanueva, October 3, 2017, pp. 20–21.

¹⁰⁴ RTC records, 296–298, Judicial Affidavit of Marcelina.

¹⁰⁵ *Id.* at 80, Annex “B” of the Answer.

¹⁰⁶ *Id.* at 75, Answer.

¹⁰⁷ *Id.* at 296–298, Judicial Affidavit of Marcelina A. Villanueva.

¹⁰⁸ *See Cabiling Ma v. Fernandez, Jr.*, 639 Phil. 577, 595 (2010).

¹⁰⁹ CIVIL CODE, art. 1768 states:

ARTICLE 1768. The partnership has a juridical personality separate and distinct from that of each of the partners, even in case of failure to comply with the requirements of article 1772, first paragraph.

¹¹⁰ *See Cabiling Ma v. Fernandez, Jr., supra.*

¹¹¹ *See Sunga-Chan v. Chua*, 415 Phil. 477, 491 (2001).



the partnership, under its signature and by a person authorized to act for the partnership.” Considering that the partnership is unregistered, it has no personality distinct and separate from the partners and cannot hold assets in its name; thus, the partners, Marcelina and Erasga, may be held individually liable *pro rata* for the unpaid obligation.¹¹²

The Court notes Marcelina’s argument that on March 13, 2010, she allegedly appeared before Barangay Daniel Fajardo, Las Piñas City and declared that she was severing her ties to the partnership and Vedge Trading.¹¹³ However, her mere declaration did not result in the termination of the partnership at that time. Indeed, Article 1829 of the Civil Code unequivocally provides that “[o]n dissolution the partnership is not terminated, but continues until the winding up of partnership affairs is completed.”

Notably, the records bear that the partnership has not yet winded up its affairs when the Complaint was filed on November 26, 2012, considering that Marcelina executed an Affidavit of No Operation¹¹⁴ for Vedge Trading only on December 12, 2012, *after* the Complaint has already been filed and *after* Marcelina received Summons¹¹⁵ on December 8, 2012. Further, the Certification¹¹⁶ by the City Treasurer of Las Piñas stated that it was only on December 18, 2012 when Vedge Trading ceased its operations.

Thus, despite Marcelina’s alleged severance of ties from Vedge Trading on March 13, 2010, the partnership between Erasga and Marcelina continued and was in effect when the business incurred liabilities for the unpaid products of Coca-Cola for the period of May 23, 2010 to June 21, 2010, in the total amount of PHP 649,316.00, exclusive of interests and penalties. Hence, as between the partners, Erasga and Marcelina, the liability to Coca-Cola was incurred by their unregistered partnership, which must be shouldered by the partners *pro rata*.

As to the proportion of their *pro rata* share, the record does not show any agreement between Erasga and Marcelina on this the matter. Article 1797¹¹⁷ of the Civil Code provides that in the absence of

¹¹² See *Pascual v. Commissioner of Internal Revenue*, 248 Phil. 789 (1988).

¹¹³ RTC records, pp. 296–298, Judicial Affidavit of Marcelina; *id.* at 305, logbook entry dated March 13, 2010

¹¹⁴ *Id.* at 305.

¹¹⁵ *Id.* at 67.

¹¹⁶ *Id.* at 306.

¹¹⁷ CIVIL CODE, art. 1797 states:



stipulation, the share of each in the profits and losses shall be *in proportion* to what he may have contributed. Yet, the exact contribution of the parties is also not of record. The Court may therefore apply Article 1208¹¹⁸ of the Civil Code, which states that “the credit or debt shall be presumed to be divided into *as many equal shares as there are creditors or debtors*.” The ratio of the *pro rata* share of Erasga and Marcelina in the unpaid obligation to Coca-Cola is therefore 50-50.¹¹⁹

The Court clarifies that the partnership agreement and corresponding *pro rata* liabilities of Erasga and Marcelina are *binding only as to the partners* because the partnership was unregistered. Insofar as Coca-Cola is concerned, it has no knowledge of the *unregistered* partnership and thus, cannot be bound by it.¹²⁰ Perforce, Coca-Cola may collect the entire unpaid obligation from Marcelina, who held herself out as the sole proprietor of Vedge Trading. Nonetheless, when payment is made by Marcelina to Coca-Cola for the entire obligation, she may demand *reimbursement* from Erasga for his *pro rata* share in the debt.¹²¹

As to Allan, Dequina, and Eugenio, they cannot be made liable for the unpaid obligation to Coca-Cola because they were mere employees of Vedge Trading, as admitted by Marcelina.¹²² Employees are generally not personally liable for the obligations incurred by their employer,¹²³ subject

ARTICLE 1797. The losses and profits shall be distributed in conformity with the agreement. If only the share of each partner in the profits has been agreed upon, the share of each in the losses shall be in the same proportion.

In the absence of stipulation, the share of each partner in the profits and losses shall be in proportion to what he may have contributed, but the industrial partner shall not be liable for the losses. As for the profits, the industrial partner shall receive such share as may be just and equitable under the circumstances. If besides his services he has contributed capital, he shall also receive a share in the profits in proportion to his capital.

¹¹⁸ CIVIL CODE, art. 1208 states:

ARTICLE 1208. If from the law, or the nature or the wording of the obligations to which the preceding article refers the contrary does not appear, the credit or debt shall be presumed to be divided into as many shares as there are creditors or debtors, the credits or debts being considered distinct from one another, subject to the Rules of Court governing the multiplicity of suits.

¹¹⁹ See *Marsman Drysdale Land, Inc. v. Philippine Geanalytics, Inc.*, 636 Phil. 284 (2010).

¹²⁰ *Rollo*, p. 193, Comment.

¹²¹ See *Republic Glass Corp. v. Qua*, 479 Phil. 393 (2004), where the Court ruled that if a solidary debtor pays the obligation in part, he can recover reimbursement from the co-debtors only in so far as his payment *exceeded* his share in the obligation.

¹²² TSN, Marcelina A. Villanueva, October 3, 2017, p. 23.

¹²³ See *WPM International Trading, Inc. v. Labayen*, 743 Phil. 192 (2014) and *MAM Realty Development Corp. v. National Labor Relations Commission*, 314 Phil. 838, 844–845 (1995). The exceptions have been enumerated as follows:

1. When directors and trustees or, in appropriate cases, the officers of a corporation —
 - (a) vote for or assent to patently unlawful acts of the corporation;
 - (b) act in bad faith or with gross negligence in directing the corporate affairs;
 - (c) are guilty of conflict of interest to the prejudice of the corporation, its stockholders or members, and other persons.

only to certain exceptions that have not been shown to be applicable to the case at bar.

*Interest on interest under
Article 2212 of the Civil Code
cannot be awarded to Coca-
Cola*

It should also be pointed out that the CA imposed *interest on the interest* due on the principal amount of the obligation to Coca-Cola as of judicial demand, which is based on Article 2212¹²⁴ of the Civil Code. The award is not in accord with *Lara's Gifts & Decors, Inc. v. Midtown Industrial Sales, Inc.*¹²⁵ While this error was unassigned, the Court finds it proper to correct it because it relates to the determination of the parties' respective liabilities, and it is necessary for the complete and just resolution of the case.¹²⁶

Lara's Gifts provides guidelines on payment of actual and compensatory damages, the rate of interest, as well as the accrual thereof in obligations consisting of loans or forbearance of money, goods, or credit, and obligations other than those enumerated. "Forbearance of money, goods or credits refers 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."¹²⁷ Forbearance of goods includes "the sale of goods on installment, requiring periodic payment of money to the creditor," while forbearance of credits includes "the *sale of anything on credit*, where the full amount due can be paid at a date after the sale."¹²⁸

The Court has ruled that in the context of the usury law, "forbearance" is a "contractual obligation of the lender or creditor to

2. When a director or officer has consented to the issuance of *watered stocks* or who, having knowledge thereof, did not forthwith file with the corporate secretary his written objection thereto.
3. When a director, trustee or officer has contractually agreed or stipulated to hold himself personally and solidarily liable with the Corporation.
4. When a director, trustee or officer is made, by specific provision of law, personally liable for his corporate action.

¹²⁴ CIVIL CODE, art. 2212 states:

ARTICLE 2212. Interest due shall earn legal interest from the time it is judicially demanded, although the obligation may be silent upon this point.

¹²⁵ 860 Phil. 744 (2019).

¹²⁶ See *Tolentino-Prieto v. Elvas*, 799 Phil. 97, 114 (2016).

¹²⁷ *Supra* at 772, citing *Estores v. Sps. Supangan*, 686 Phil. 86, 97 (2012)

¹²⁸ *Id.* at. 775.



refrain, during a given period of time, from requiring the borrower or debtor to repay a loan or debt then due and payable.”¹²⁹ *Federal Builders, Inc. v. Foundation Specialists, Inc.*,¹³⁰ further defines “forbearance” of money, goods, or credits as follows:

Forbearance of money, goods or credits, therefore, refers to arrangements other than loan agreements, where *a person acquiesces to the temporary use of his money, goods or credits* pending the happening of certain events or fulfilment of certain conditions. *Consequently, if those conditions are breached, said person is entitled not only to the return of the principal amount paid, but also to compensation for the use of his money which would be the same rate of legal interest applicable to a loan since the use or deprivation of funds therein is similar to a loan.*¹³¹ (Emphasis supplied; citations omitted)

In the present case, the transaction between the parties involved the sale of Coca-Cola’s products, which will be paid for by Vedge Trading on a later date. Verily, the delivery invoices presented by Coca-Cola’s products uniformly state that they are subject to the payment term of “7 day[s] from billing day[.]” With the transaction, Coca-Cola acquiesced to the temporary use of its credits, i.e., the receivables from Vedge Trading representing the purchase price for Coca-Cola’s products, for a period of seven days from the time that it has billed Vedge Trading. Clearly, the transaction subject of the present case involves a sale of goods on credit, which is a form of forbearance of credit, as defined by the Court in *Lara’s Gifts*. Consequently, the interest prescribed by the Bangko Sentral ng Pilipinas must be imposed on the judgment award.

Lara’s Gifts summarizes the rules on the imposition of interest for loans or forbearances of money, goods, or credit, as follows:

1. The compensatory interest due shall be that which is stipulated by the parties in writing as the penalty or compensatory interest rate, provided it is not unconscionable. In the absence of a stipulated penalty or compensatory interest rate, the compensatory interest due shall be that which is stipulated by the parties in writing as the conventional interest rate, provided it is not unconscionable. In the absence of a stipulated penalty or a stipulated conventional interest rate, or if these rates are unconscionable, the compensatory interest shall be the prevailing legal interest rate prescribed by the Bangko Sentral ng Pilipinas. Compensatory interest, in the absence of a stipulated

¹²⁹ See *Crismina Garments, Inc. v. Court of Appeals*, 363 Phil. 701, 709 (1999).

¹³⁰ 742 Phil. 433 (2014).

¹³¹ *Id.* at 447–448.

reckoning date, shall be computed from default, *i.e.*, from extrajudicial or judicial demand, *until full payment*.

2. Interest on conventional/monetary interest and stipulated compensatory interest shall accrue at the stipulated interest rate (compounded interest) from the stipulated reckoning point or, in the absence thereof, from extrajudicial or judicial demand *until full payment*, provided it is not unconscionable. In the absence of a stipulated compounded interest rate or if this rate is unconscionable, the prevailing legal interest rate prescribed by the Bangko Sentral ng Pilipinas shall apply from the time of judicial demand *until full payment*. (Emphasis in the original; underscoring supplied)

Pertinently, the Court ruled in *Lara's Gifts* that interest due on *conventional interest* is imposed only if the parties have an agreed upon interest on the forbearance of money. In turn, conventional interest is allowed only when there is an *express stipulation in writing* for its payment. Consequently, interest on interest under Article 2212 of the Civil Code cannot be awarded if there is *no* stipulated conventional interest in writing by the parties for the forbearance of money.

In the present case, neither the RTC nor CA determined that there is any written stipulated conventional interest between the parties. Indeed, Coca-Cola has not presented any written contract *signed by both parties* to the dealership agreement, wherein they stipulated *in writing* that the amount due for the products of Coca-Cola shall earn interest. Although the delivery invoices¹³² presented by Coca-Cola contained a statement on the payment of interest in case of default, Coca-Cola has not shown that Marcelina agreed to the said stipulation or that she signed the invoices to show acceptance of the terms. Further, a closer look at the delivery invoices reveals that they were signed by the authorized representative of Vedge Trading merely to acknowledge receipt of Coca-Cola's products in good condition; hence, the delivery invoices cannot be considered as an agreement in writing for the payment of interest.¹³³

Accordingly, the Court rules that the forbearance of credit subject of the present case did not include the payment of interest upon written agreement of the parties. Perforce, it was improper for the CA to include an award of interest on interest to Coca-Cola. Hence, this award in the CA Decision must be deleted.

¹³² RTC records, pp. 215–254, Exhibit “B” series.

¹³³ See *Hygienic Packaging Corp. v. Nutri-Asia, inc.*, 846 Phil. 1, 17 (2019).



WHEREFORE, the Decision dated February 18, 2022 and Resolution dated December 6, 2022 of the Court of Appeals in CA-G.R. CV No. 112750 are **AFFIRMED** with **MODIFICATION**, in that:

1. Petitioner Marcelina Villanueva is **ORDERED** to **PAY** respondent Coca-Cola Bottlers Phils., Inc. the principal amount of PHP 649,316.00, plus 12% legal interest per annum counted from the date of extrajudicial demand on July 27, 2012 until June 30, 2013, and 6% legal interest per annum from July 1, 2013 until full payment.

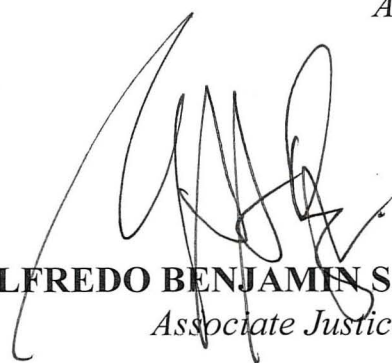
The total monetary award shall bear legal interest at the rate of 6% per annum from the date of the finality of this Decision until full payment.

2. Respondent Jonathan Erasga is **LIABLE** to **REIMBURSE** petitioner Marcelina Villanueva his *pro rata* share in the foregoing obligation to Coca-Cola Bottlers Phils. Inc., to the extent of 50% of the debt once paid by petitioner Marcelina Villanueva.

SO ORDERED.


HENRI JEAN PAUL B. INTING
Associate Justice

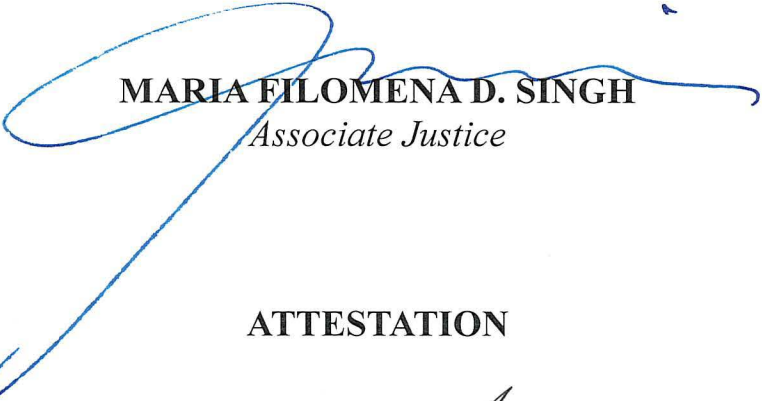
WE CONCUR:


ALFREDO BENJAMIN S. CAGUIOA
Associate Justice

*See Separate
Opinion*


SAMUEL H. GAERLAN
Associate Justice


JAPAR B. DIMAAMPAO
Associate Justice

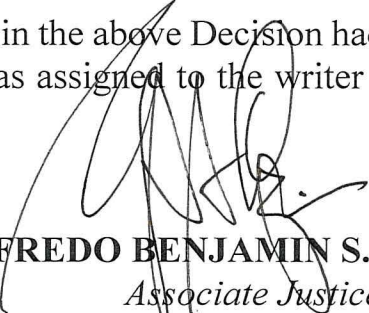


MARIA FILOMENA D. SINGH

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.



ALFREDO BENJAMIN S. CAGUIOA

Associate Justice

Chairperson, Third Division

CERTIFICATION

Pursuant to Article VIII, Section 13 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.



ALEXANDER G. GESMUNDO

Chief Justice

THIRD DIVISION

G.R. No. 264746 — MARCELINA VILLANUEVA, doing business under the name and style “VEDGE TRADING”, Petitioner, v. COCA-COLA BOTTLERS PHILS., INC., JONATHAN ERASGA, BENJAMIN I. DEQUINA, JR., ALLAN D. EVANGELISTA, and EUGENIO D. EVANGELISTA, Respondents.

Promulgated:

August 7, 2024

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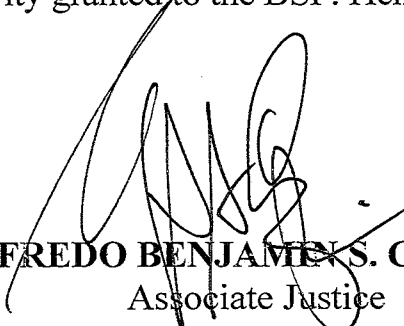
SEPARATE OPINION

CAGUIOA, J.:

I concur with the *ponencia* except with respect to the legal interest imposed on the judgment award.

I humbly submit my reservation in the *ponencia*'s categorization of a sale of goods on credit as a forbearance of credit¹ subject to the legal interest rate of 12% per annum from extrajudicial demand until June 30, 2013, and 6% per annum starting July 1, 2013 under Bangko Sentral ng Pilipinas (BSP) Monetary Board Circular No. 799, series of 2013. The judgment award should instead be subject to the legal interest under the Civil Code of 6% per annum from extrajudicial demand on July 27, 2012 until full payment.

Notably, the term “forbearance” involves (1) an agreement or contractual obligation (2) to refrain from enforcing payment or to extend the period for the payment of (3) an obligation that has become due and demandable, (4) in return for some compensation, i.e., interest. The delay or refusal to pay the sums due Coca-Cola Bottlers Phils., Inc. (Coca-Cola) under the dealership agreement, *ipso facto*, did not constitute a forbearance of money, goods, or credit. Coca-Cola did not actually agree or even acquiesce and is not contractually obliged to refrain from enforcing payment in exchange for interest, but merely failed to exact payment. Credit sales, even when there is (1) a price differential between cash payments and credit payments or (2) a stipulation as to the payment of interest, do not constitute loans and forbearances of money in the context of the Usury Law, and are beyond the authority granted to the BSP. Hence, the BSP-prescribed rate cannot apply.


ALFREDO BENJAMÍN S. CAGUIOA
Associate Justice

¹ *Ponencia*, pp. 23–24.