Republic of the Philippines
Supreme Court
Manila

FIRST DIVISION

DEMOSTHENES R. ARBILON,
Petitioner,

- versus -

SOFRONIO MANLANGIT,
Respondent.

G.R. No. 197920

Present:

SERENO, *C.J.*,
Chairperson,
LEONARDO-DE CASTRO,
DEL CASTILLO,
JARDELEZA, and
TIJAM, *JJ.*

Promulgated:

JAN 22 2018

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DECISION

TIJAM, *J.*:

Before Us is a petition for review on *certiorari*[1] under Rule 45 of the Rules of Court filed by Demosthenes R. Arbilon (petitioner) assailing the Decision[2] dated January 14, 2011 of the Court of Appeals (CA) in CA-G.R. CV No. 00038, which reversed and set aside the Decision[3] dated May 5, 2003 of the Regional Trial Court (RTC) of Davao City, Branch 33 in Civil Case No. 27,498-99 dismissing the case filed by Sofronio Manlangit (respondent) and ordering the return of the possession of the Atlas Copco Compressor (compressor) to petitioner.

[1] *Rollo*, pp. 12-45.

[2] Penned by Associate Justice Romulo V. Borja, concurred in by Associate Justices Edgardo T. Lloren and Ramon Paul L. Hernando; id. at 47-65.

[3] Penned by Judge Wenceslao E. Ibabao; id. at 112-119.

This case stemmed from a Complaint[4] for recovery of possession of personal properties with writ of replevin and/or sum of money, with damages and attorney's fees filed by respondent against petitioner.

In his complaint, respondent alleged that he purchased on credit one (1) compressor and one (1) unit of Stainless Pump, 3 horsepower, single phase for ₱200,000.00 and ₱65,000.00, respectively, from Davao Diamond Industrial Supply (Davao Diamond). Respondent claimed that the compressor had been in the possession of petitioner from November 1997 up to the time of the filing of the complaint, that despite demand, petitioner failed to return the same to respondent.[5]

In his Answer with Counterclaim,[6] petitioner argued that the respondent is not the owner of the compressor. Petitioner alleged that the ownership of the compressor was never vested to respondent since the latter failed to pay the purchase price of ₱200,000.00. Petitioner alleged that he voluntarily assumed the obligation to pay the compressor to Davao Diamond in four installments as it was indispensable in the mining operations of Double A.[7]

The RTC, upon posting of the bond, granted the writ of replevin and the compressor was delivered to respondent.

During the trial, respondent alleged that he was once a financier and operator of a gold mine in Davao del Norte but when he ran out of funds, petitioner and Major Efren Alcuizar (Alcuizar) took over the mining operations. When petitioner and Alcuizar also ran out of funds, Lucia Sanchez Leanillo (Leanillo) became the financier of the mining operations.[8] It appears that Leanillo paid for the installments of the compressor on account of a separate contract of sale entered into by Davao Diamond with her.

Ruling of the RTC

After trial on the merits, the RTC in its Decision[9] dated May 5, 2003, ruled in favor of the petitioner, thus:

> WHEREFORE, judgment is hereby rendered in favor of the [petitioner] and against [respondent]:
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> 1. dismissing the complaint for lack of cause of action;

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[4] Id. at 84-85.
[5] Id. at 84.
[6] Id. at 88-93.
[7] Id. at 89-90.
[8] Id. at 115.
[9] Id. at 112-119.

2. dissolving the writ of seizure and declaring [respondent] to be not entitled to the possession of the [compressor];

3. ordering the return of the possession of the [compressor] with its accessories, if any, to [petitioner] and [Leanillo], and if this is no longer possible for [respondent] and/or the surety company, the Capital Insurance & Surety Company, Inc., to pay the value of said [compressor], with interest at the legal rate from the time [petitioner] was dispossessed of said compressor;

4. to pay [petitioner] the sum of P15,000.00 for and as attorney's fees, plus P5,000.00 as litigation expenses; and

5. all other claims for damages are denied.

Costs of suit against [respondent].

SO ORDERED.[10]

The RTC in finding for the petitioner held that:

From all the foregoing, the following facts appears duly established:

1. [Respondent] purchased on installment from [Davao Diamond] on July 17, 1996, one (1) unit [compressor] and one (1) SS Pump 3HP, among others;
2. He failed to pay the purchase price of these items;
3. He wrote [Davao Diamond] a letter on August 5, 1999, voluntarily surrendering the compressor and the pump because he could not pay for it[;]
4. Before he wrote the letter to [Davao Diamond], [Leanillo] had already paid [Davao Diamond] the purchase price for the compressor in four installments. Thus was evidenced by Cash Vouchers all dated in 1998 x x x and the corresponding receipts issued in behalf of [Davao Diamond] by Atty. George Cabebe x x x, each for P50,000.00.

Thus, when [respondent] wrote the [Davao Diamond], that he was voluntarily surrendering the compressor and the pump he effectively surrendered whatever rights and interest he might have on the compressor and the pump. He was aware that he is no longer the owner of the compressor. No evidence was adduced by [respondent] to prove that there was a prior existing arrangement with him and Leanillo as far as the payment of the account with [Davao Diamond] was concerned. It is very strange indeed for him to have written the letter despite knowing that it had been paid for by [Leanillo], unless it was intended to pave the way for [Leanillo] to acquire full ownership of the compressor and to ensure that

[10] Id. at 119.

> [Davao Diamond] will be free from legal liability in selling the compressor to Leanillo. x x x.
>
> x x x x
>
> Thus, it is quite clear that as of August 5, 1999, [respondent] has no more right and interest over the compressor and the pump by reason of his voluntary surrender of these items to [Davao Diamond]. x x x.[11]

Ruling of the CA

Upon appeal, the CA in its Decision[12] dated January 14, 2011 reversed the RTC ruling and held that respondent is the owner of the compressor, thus:

> WHEREFORE, the assailed decision is SET ASIDE and a new one rendered:
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> 1. Declaring [respondent] the owner of the (1) unit [compressor] with Serial No. ARP 695174 and thus entitled to its possession;
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> 2. Ordering [petitioner] to reimburse [respondent's] litigation expenses in the amount of P2,250.60 and attorney's fee[s] in the amount of P10,000.00.
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> SO ORDERED.[13]

The CA held that the transaction between respondent and Davao Diamond was a contract to sell since the stipulation in the Sales Invoice[14] shows that the goods listed in the invoice shall remain the property of the seller until fully paid by the buyer. The CA further held that since Leanillo undisputedly paid the installments on the compressor, the ownership over the compressor was automatically vested on respondent. As such, the owner of the compressor is respondent. Insofar as the payment of Leanillo is concerned, the CA held that such payment is considered as a payment made by a third party without the knowledge of the respondent, as such, Leanillo can recover the amount paid insofar as the same has been beneficial to respondent. However, the CA ruled that there is evidence to show that the payment made by Leanillo was taken from the partnership share of respondent. Therefore, respondent is no longer obligated to reimburse Leanillo of the amount it paid for the compressor.

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[11] Id. at 117-118.
[12] Id. at 47-65.
[13] Id. at 64.
[14] Id. at 186.

The Issues

Hence, petitioner filed the instant petition raising the following issues to be resolved:

1) whether or not the CA erred when it ruled that respondent is the owner of the compressor, hence entitled to its possession; and 2) whether or not the money used by Leanillo to pay the compressor came from respondent's partnership share.

While the case filed by respondent before the RTC was only for recovery of possession of the compressor, the parties however raised the issue of ownership during the trial in the RTC. Thus, when they raised the issue of ownership, while this Court may pass upon the issue of ownersip, the same is limited to the determination of who between the parties has a better right to possess the property. This adjudication, however, is not a final and binding determination on the issue of ownership. Since the determination of ownership is merely provisional, the same is not a bar to an action between the same parties involving title to the property.[15]

To determine who has the better right to possession of the compressor, examination of the contract between respondent and Davao Diamond is in order. The CA is of the opinion that the contract between respondent and Davao Diamond is merely a contract to sell, as such, mere delivery of the thing sold does not result to the transfer of ownership to the buyer.

In a contract to sell, the seller explicitly reserves the transfer of title to the buyer until the fulfillment of a condition, that is, the full payment of the purchase price. Title to the property is retained by the seller until the buyer fully paid the price of the thing sold.

As found by the CA and undisputed by the respondent, the Sales Invoice No. 82911[16] covering the disputed compressor contained the following stipulation:

> Note: It is hereby agreed that the goods listed to this invoice shall remain the property of the seller until fully paid by the buyer. Failure of the buyer to pay the goods as agreed upon, the seller may extra-judicially take possession of the goods and dispose them accordingly.

While the sales invoice is not a formal contract to sell, the sales invoice is nevertheless the best evidence of the transaction between the respondent and Davao Diamond. Sales invoices are commonly recognized in ordinary commercial transactions as valid between the parties and, at the very least, they serve as an acknowledgment that a business transaction has

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[15] *Gabriel, Jr., et. al. v. Crisologo*, 735 Phil. 673, 683 (2014).
[16] *Rollo*, p. 186.

in fact transpired. Thus, the moment respondent affixed his signature thereon, he is bound by all the terms stipulated therein.[17]

The sales invoice contains the earmarks of a contract to sell since the seller reserved the ownership of the thing sold until the buyer fully paid the purchase price. We therefore agree with the CA that the agreement between respondent and Davao Diamond is a contract to sell. As such, the mere delivery of the compressor to respondent does not make him the owner of the same.

The next question now is whether the respondent has complied with his obligation to fully pay the purchase price?

Leanillo claimed that she paid for the installments on the compressor. However, she claimed that Davao Diamond entered into an independent contract of sale with her while respondent claimed that the money used by Leanillo to pay the compressor came from his partnership share.

It is a settled doctrine in civil cases that he who alleges a fact has the burden of proving it and a mere allegation is not evidence.[18] It is incumbent upon Leanillo to prove that Davao Diamond sold the compressor to her independent of the contract to sell with respondent.

Other than the self-serving statements of Leanillo, no other evidence was presented to support her allegation that Davao Diamond entered into a separate contract with her. In fact, at the time Leanillo paid the compressor in 1998, there is no evidence that Davao Diamond revoked, rescinded or cancelled the contract to sell with respondent.

Moreover, it must be considered that in view of the existing contract to sell between respondent and Davao Diamond, the latter cannot simply sell the property to petitioner. A contact to sell is a bilateral contract whereby the prospective seller, while expressly reserving the ownership over the thing sold despite the delivery thereof to the prospective buyer, binds himself to sell the property exclusively to the prospective buyer upon full payment of the purchase price.[19] Thus, in the absence of any revocation or cancellation of the contract to sell with respondent, Davao Diamond cannot legally sell the compressor to petitioner.

Nevertheless, the records of the case show that Leanillo paid the compressor in behalf of respondent.

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[17] *Seaoil Petroleum Corp. v. Autocorp Group, et al.*, 590 Phil. 410, 419 (2008).
[18] *Dantis v. Maghinang, Jr.*, 708 Phil. 575, 587 (2013).
[19] *Sps. Tumibay, et. al. v. Sps. Lopez*, 710 Phil. 19, 31 (2013).

The answer of petitioner to the complaint of respondent stated that the former voluntarily assumed paying the compressor since the same was beneficial to the mining operations of Double A.[20] Further, the receipts[21] issued by Davao Diamond to Leanillo state that the same is "in partial payment of the existing account incurred by respondent" and is "in partial payment of respondent's account with Davao Diamond relative to one (1) unit compressor."

The above-mentioned circumstances indubitably show that Leanillo paid the compressor not in her own right but in behalf of respondent. If indeed Davao Diamond sold the compressor to Leanillo and that the latter paid the compressor in accordance with her separate contract with Davao Diamond, such fact would have appeared in the receipts. Sadly, that is not the case. There is nothing in the records that would compel Us to declare that there is an independent contract of sale between Leanillo and Davao Diamond.

Having ruled that Leanillo paid the compressor in behalf of respondent, the latter has therefore complied with his obligation to fully pay the compressor. Ownership of the compressor can now legally pass to respondent. As such, the latter has the right to possess the compressor since possession is an attribute of ownership.

What becomes of Leanillo's payment? Is the respondent obliged to reimburse to Leanillo the price of the compressor?

Respondent claimed that there is nothing to be reimbursed since the money used by Leanillo to pay the compressor came from his partnership share. We do not agree.

A perusal of the records of the case reveal that respondent failed to raise this as an issue during the trial. In fact, it was not one of the issues[22] contained in the pre-trial order. Therefore, the same cannot be considered in the resolution of the case.

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[20] *Rollo*, p. 90.

[21] Id. at 99-102.

[22] For the [respondent]:

a. who is the owner of the personal properties subject matter of the case?

b. whether or not the personal properties are wrongfully detained by the [petitioner]?

c. whether or not the [respondent] is entitled to their recovery from the possession of the [petitioner]?

d. whether or not the [petitioner] is liable for damages as prayed for in the complaint?

Id. at 15.

As We held in the case of *LICOMCEN, Inc. v. Engr. Abainza*,[23] all issues that the parties intend to raise during the trial must be raised during the pre-trial, thus:

> Pre-trial is primarily intended to insure that the parties properly raise all issues necessary to dispose of a case. The parties must disclose during pretrial all issues they intend to raise during the trial, except those involving privileged or impeaching matters. Although a pre-trial order is not meant to catalogue each issue that the parties may take up during the trial, issues not included in the pre-trial order may be considered only if they are impliedly included in the issues raised or inferable from the issues raised by necessary implication. x x x.[24] (Citation omitted)

Hence, the issue of whether there is a partnership that is existing between petitioner, Leanillo and respondent and whether the partnership share of respondent was used to pay the compressor are not impliedly included or is inferable from the issues raised in the pre-trial order. As such, the same cannot be considered during the trial. Even if We rule that the said issues were included or inferable by necessary implication from the issues raised in the pre-trial order, respondent still failed to present an iota of evidence to prove that the partnership exist or that his partnership shares were used to pay off the compressor. Mere allegation without sufficient proof is not evidence of the existence of a fact or of the truthfulness of an allegation.

Since respondent failed to prove that the money used to pay the compressor was respondent's partnership share nor the existence of a partnership among them, the payment of Leanillo can be considered as payment by a third party. Under Article 1236 of the Civil Code, it is provided that:

> **Article 1236.** The creditor is not bound to accept payment or performance by a third person who has no interest in the fulfillment of the obligation, unless there is a stipulation to the contrary.
>
> **Whoever pays for another may demand from the debtor what he has paid, except that if he paid without the knowledge or against the will of the debtor, he can recover only insofar as the payment has been beneficial to the debtor.** (Emphasis ours)

Under the above-cited provision, Leanillo has the right to demand reimbursement from respondent since it is undisputed that Leanillo was the one who paid for the compressor in behalf of respondent. Nevertheless, since Leanillo was never impleaded as a party in this case, this Court has not acquired any jurisdiction over her person, and as such, We cannot grant any relief in her favor. "It is well-settled that courts cannot grant a relief not

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[23] 704 Phil. 166 (2013).

[24] Id. at 174, citing *Villanueva v. CA*, 471 Phil. 394 (2004).

prayed for in the pleadings or in excess of what is being sought by a party to a case."[25] This however is without prejudice to any action that may be brought by Leanillo to claim reimbursement from respondent.

WHEREFORE, the foregoing considered, the petition is **DENIED**. The Decision dated January 14, 2011 of the Court of Appeals in CA-G.R. CV No. 00038 is hereby **AFFIRMED** in that respondent Sofronio Manlangit is the lawful owner and possessor of the Atlas Copco Compressor. This, however, is without prejudice to any claim for reimbursement which may thereafter be filed against respondent.

SO ORDERED.

NOEL GIMENEZ TIJAM
Associate Justice

WE CONCUR:

MARIA LOURDES P. A. SERENO
Chief Justice
Chairperson

TERESITA J. LEONARDO-DE CASTRO
Associate Justice

MARIANO C. DEL CASTILLO
Associate Justice

FRANCIS H. JARDELEZA
Associate Justice

[25] *Bucal v. Bucal*, 760 Phil. 912, 921 (2015).

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.

MARIA LOURDES P. A. SERENO
Chief Justice