Republic of the Philippines
Supreme Court
Manila

SECOND DIVISION

WATERCRAFT VENTURES CORPORATION, represented by its Vice President, ROSARIO E. RAÑOA,	**G.R. No. 231485**
	Present:
Petitioner,	PERLAS-BERNABE, *S.A.J.*, *Chairperson*, HERNANDO, INTING, DELOS SANTOS, and BALTAZAR-PADILLA,* *JJ.*
- *versus* -	
ALFRED RAYMOND WOLFE, *Respondent.*	Promulgated: 21 SEP 2020

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RESOLUTION

INTING, *J.*:

This resolves the Petition for Review on *Certiorari*[1] assailing the Decision[2] dated August 31, 2016 of the Court of Appeals (CA) in CA-G.R. CV No. 101702 which reversed and set aside the Partial Judgment[3] dated February 7, 2012 of Branch 170, Regional Trial Court (RTC), Malabon City in Civil Case No. 4524-MN for collection of sum of money with damages with an application for the issuance of a writ of preliminary attachment. Likewise assailed is the CA Resolution[4] dated March 16, 2017 denying the motion for reconsideration.

* On leave.

1 *Rollo*, pp. 3-36.

2 *Id.* at 43-68; penned by Associate Justice Carmelita Salandanan Manahan with Associate Justices Japar B. Dimaampao and Franchito N. Diamante, concurring.

3 *Id.* at 125-138; penned by Presiding Judge Zaldy B. Docena.

4 *Id.* at 70-76.

The Antecedents

In its Complaint[5] for Collection of Sum of Money with Damages with an Application for the Issuance of a Writ of Preliminary Attachment, Watercraft Ventures Corporation (petitioner), as represented by its Vice President, Rosario E. Rañoa, stated that it is a corporation engaged in the business of building, repairing, storing, and maintaining yachts and other pleasure crafts at the Subic Bay Freeport Zone. Petitioner claimed that relative to its operation and maintenance of facilities, it charged a boat storage fee of US$272.00 per month with interest rate of 4% per month for unpaid charges.[6]

According to petitioner, in June 1997, it hired Alfred Raymond Wolfe (respondent) as Shipyard Manager. Respondent thereafter placed his sailboat, the Knotty Gull (subject sailboat), within its storage facilities for safekeeping. Petitioner insisted that even if he was an employee, respondent was not exempted from paying the boat storage fees, and the latter was aware of it. However, despite having used the facilities throughout his employment, respondent never paid storage fees.[7]

In November 2000, the parties executed an exclusive central listing agreement whereby petitioner was granted the exclusive right to sell the subject sailboat within a period of six months from the execution of the agreement on 10% commission.[8]

On April 7, 2002, petitioner terminated respondent.

On May 2, 2002, respondent received Invoice Nos. 5739 to 5744 indicating his liability for storage fees and items from 1998 until April 2002 in the total amount of ₱818,934.71.[9]

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5 *Id.* at 77-86.
6 *Id.* at 78-79.
7 *Id.* at 79.
8 *Id.* at 126.
9 See Statement of Account dated April 16, 2005, *id.* at 90.

On May 7, 2002, respondent received a Statement of Account "Payable to [respondent] as of April 7, 2002."[10]

On June 29, 2002, respondent executed a Boat Pull Out Clearance[11] which indicated the amount of US$16,324.82 purportedly representing unpaid boat storage fees from June 1997 to June 2002. By reason of the Boat Pull Out Clearance and without paying the storage fees, then Shipyard Manager, Franz Urbanek (respondent's successor) permitted respondent to pull out the subject sailboat. Petitioner, however, insisted that the act of the shipyard manager was contrary to its rules and regulations. Petitioner added that despite several demands, respondent failed to pay the storage fees. As of April 2, 2005, the supposed outstanding obligation of respondent amounted to ₱3,231,589.25 already.

In his Answer with Compulsory Counterclaim,[12] respondent countered that petitioner employed him as Service and Repair Yard Manager, not a Shipyard Manager. He refuted that he owed petitioner storage fees explaining that in February 1998, the subject sailboat was purchased pursuant to a three-way partnership agreement between him, petitioner's then General Manager and Executive Vice President, Barry Bailey (Bailey), and its then President, Ricky Sandoval (Sandoval). It was agreed upon that no storage fees shall be charged for placing the subject sailboat inside petitioner's premises, and that it would be repaired as training or "fill-in project" for the staff of petitioner whose training was under the supervision of respondent.

Respondent, nevertheless, admitted that although it was originally agreed that Bailey and Sandoval were to contribute to the acquisition of the subject sailboat, he solely funded for its purchase and remodeling. He insisted that he paid petitioner all the expenses incurred for the repair of the sailboat. He also received regular invoices for the expenses, but none of which showed assessment on storage fees. He further stated that later, upon agreement with Bailey and Sandoval, petitioner was appointed as agent in the above-mentioned exclusive central listing agreement for the sale of the sailboat. Even with the agreement, petitioner did not charge respondent of storage fees.[13]

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[10] *Id.* at 168
[11] *Id.* at 157.
[12] *Id.* at 92-108.
[13] *Id.* at 99-100.

In addition, respondent averred that after repair and while the subject sailboat had not yet been sold, petitioner used it in its towing operations and for which the latter had earned income. This is another reason why the sailboat had not been assessed of any boat storage fees.[14]

Ultimately, respondent prayed for the dismissal of the case. As part of his compulsory counterclaim, he prayed that petitioner be ordered to pay him ₱409,534.94 representing the commissions and advances he made for the benefit of petitioner, actual damages for the expenses he incurred by reason of the case, moral and exemplary damages, attorney's fees, and costs.

In the interim, the RTC issued a writ of attachment over the properties of respondent. The writ of attachment was eventually annulled and set aside by the Court in G.R. No. 181721[15] and Entry of Judgment[16] was issued on August 15, 2016.

Ruling of the RTC

On February 7, 2012, the RTC rendered a Partial Judgment[17] dated February 7, 2012 in the complaint for sum of money with damages. It ordered respondent to pay petitioner his outstanding balance amounting to ₱807,480.00 for the storage of the subject sailboat from May 1998 to April 30, 2002 with legal interest rate of 6% *per annum* computed from the date of the decision; and a 12% interest shall be imposed, in lieu of the 6%, on the amount upon the finality of the decision until its full payment. It also ordered respondent to pay petitioner ₱100,000.00 as attorney's fees.[18]

The RTC gave credence to respondent's Boat Pull Out Clearance with annotation that "an outstanding balance of US$16,324.82 is under negotiation." It also declared that the absence of written contract for the payment of storage fees did not exculpate respondent from paying petitioner for the use of its facilities.

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[14] *Id.* at 100.
[15] *Watercraft Venture Corporation v. Wolfe*, 769 Phil. 394 (2015).
[16] *Rollo*, p. 258.
[17] *Id.* at 125-138.
[18] *Id.* at 138.

The RTC ratiocinated that it may be true that respondent was not regularly assessed of monthly storage fees for the entire time he worked for petitioner yet it would not be incorrect to assess him for the first time after four years or after the termination of his employment.

Acting on the parties' respective motions for reconsideration, the RTC issued an Order[19] dated August 22, 2012 modifying the partial judgment and ruling that petitioner was entitled to 2% and 4% monthly penalty charge on the storage fees.

Thereafter, the RTC denied[20] respondent's Motion for Reconsideration.[21] Both parties then filed their respective appeals with the CA.

Ruling of the CA

On August 31, 2016, the CA reversed and set aside[22] the RTC's partial judgment. It ordered petitioner to pay respondent: (a) $12,197.32 (in Philippine currency at the rate prevailing at the time of payment) representing unpaid commissions, and advances with interest rate of 12% *per annum* from the time his employment was terminated up to June 30, 2013 and 6% *per annum* from July 1, 2013 until fully paid; (b) moral damages in the amount of ₱200,000.00; (c) exemplary damages in the amount of ₱200,000.00; and (d) attorney's fees in the amount of ₱100,000.00.[23]

The CA gave no weight to petitioner's claim that it was its policy to charge fees to every boat docked in its shipyard. It also faulted petitioner from failing to promptly demand the payment of storage fees and emphasized that it was only at the last day of respondent's work that he was informed that he must pay for storage fees. It added that even granting that petitioner can demand legally the payment of storage fees, the statement of account dated April 7, 2002 proved that respondent already paid US$16,324.82 being claimed by petitioner.[24]

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[19] *Id.* at 196-200.
[20] See Order dated November 21, 2012, *id.* at 218.
[21] *Id.* at 201-206.
[22] See Decision dated August 31, 2016 of the Court of Appeals (CA), *id.* at 43-68.
[23] *Id.* at 67.
[24] *Id.* at 53.

The CA held that petitioner cannot, in turn, renege from its obligation to pay respondent US$12,197.32 pursuant to the net payable under the statement of account dated April 7, 2002.[25] The amount due represented the commissions and advances that respondent made in favor of petitioner.

Finally, the CA awarded moral and exemplary damages on account of the illegally issued writ of attachment against respondent.

With the denial[26] of its Motion for Reconsideration, petitioner filed the present petition raising the following issues.

Issues

WHETHER THIS CASE FALLS WITHIN THE EXCEPTION TO THE RULE THAT A PETITION FILED IN ACCORDANCE WITH RULE 45 OF THE RULES OF COURT MAY ONLY RAISE PURE QUESTIONS OF LAW

WHETHER THE COURT OF APPEALS MAY GRANT RESPONDENT A RELIEF NOT PRAYED FOR IN HIS *ANSWER WITH COMPULSORY COUNTERCLAIMS*

WHETHER THE COURT OF APPEALS WAS CORRECT IN FINDING PETITIONER LIABLE FOR A SUPPOSED OBLIGATION BASED UPON A DOCUMENT DENIED BY RESPONDENT

WHETHER THE COURT OF APPEALS WAS CORRECT IN REFUSING TO RECOGNIZE THE RESPONDENT'S OBLIGATION BASED UPON A DOCUMENT WHICH WAS THE VERY BASIS OF ITS FINDING OF LIABILITY IN FAVOR OF THE RESPONDENT

WHETHER THE RATE OF 12% INTEREST IS APPLICABLE TO THE SUPPOSED LIABILITY OF THE PETITIONER BASED UPON A JUDGMENT WHICH HAS NOT YET BECOME FINAL AND EXECUTORY

WHETHER THE DISCHARGE OF THE WRIT OF PRELIMINARY ATTACHMENT AUTOMATICALLY RENDERED PETITIONER LIABLE FOR DAMAGES DESPITE RESPONDENT'S FAILURE TO

[25] *Id.* at 55.

[26] See Resolution dated March 16, 2017 of the CA, *id.* at 70-76.

APPLY THEREFOR AND THE LACK OF ANY HEARING CONDUCTED FOR THE PURPOSE

WHETHER RESPONDENT HAS THE BURDEN OF PROVING THAT HE IS EXEMPTED FROM PAYING STORAGE AND BERTHING FEES TO PETITIONER

WHETHER THE RESPONDENT SHOULD BE LIABLE UPON AN OBLIGATION EVIDENCED BY A DOCUMENT HE NEVER DENIED DESPITE SUFFICIENT OPPORTUNITY TO DO SO

WHETHER THE LEGAL INTEREST OF 12% PER ANNUM IS APPLICABLE TO RESPONDENT'S OBLIGATION FROM THE TIME OF DEMAND

WHETHER RESPONDENT IS LIABLE FOR DAMAGES IN FAVOR OF THE PETITIONER[27]

Our Ruling

The petition is partly meritorious.

As a general rule, only pure questions of law may be raised in a petition for review on *certiorari*. However, considering the divergent findings and conclusions arrived at by the RTC and the CA, the Court is constrained to depart from the general rule and finds it necessary to evaluate anew the evidence adduced by the parties in the case.[28]

It is also settled that a person who asserts a fact has the burden of proving it as the "necessity of proving lies with the person who sues."[29] Additionally, in civil cases, the party who has the burden of proof must support one's case by preponderance of evidence or evidence more convincing to the court or more convincing when compared to that proffered in its opposition. Simply, preponderance of evidence is the "greater weight of the evidence" or "greater weight of the credible evidence."[30]

Here, the Court finds that petitioner failed to discharge its burden such that the CA properly denied its claim for payment of storage fees.

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[27] *Id.* at 15-16.

[28] *MOF Company, Inc. v. Shin Yang Brokerage Corp.*, 623 Phil. 424, 433 (2009).

[29] *Id.* at 426.

[30] *See Sps. Ramos v. Obispo, et. al.*, 705 Phil. 221 (2013).

As correctly observed by the CA, petitioner did not present proof of any agreement between the parties as regards the storage fees for the subject sailboat. Notably, there was also no showing that petitioner indeed has the policy to charge every boat docked in its shipyard for storage facilities.

At the same time, petitioner submitted no evidence supporting its allegation that it made several demands on respondent to pay storage fees. In fact, petitioner only demanded payment when it gave respondent invoices on May 2, 2002 indicating his supposed liability from 1998 until April 2002. To the Court's mind, the demand to pay was only an afterthought on the part of petitioner given that the entire time that the sailboat was in its facilities it neither informed respondent of any storage fees nor demanded payment for it. In other words, aside from the absence of an agreement for the payment of fees, there was also no demand to pay, other than that made subsequent to respondent's termination from work or more than four years from the time the sailboat was docked in the storage facilities.

Definitely, mere allegation is not evidence. Petitioner must rely on the strength of its own evidence, not on the weakness of respondent's defense. The extent of the relief that may be granted to petitioner must be that which it has alleged and established by preponderance of evidence. However, petitioner miserably failed to substantiate its entitlement to storage fees.

Furthermore, petitioner's own evidence belied its assertions. The Court agrees with the CA that the statement of account "Payable to [Respondent] as of April 7, 2002" issued by petitioner speaks for itself that it was petitioner which owed money to respondent.

The Court stresses that contrary to petitioner's allegation, respondent prayed in his Counterclaim[31] that petitioner be ordered to pay him commissions and advances he made in its favor. While there may have been discrepancies in the amounts indicated in the Counterclaim and that awarded by the CA, still it cannot be denied that respondent asked for payment of petitioner's unsettled obligations. The statement of account,

[31] *Rollo*, pp. 101-103, 106.

which is the very document submitted by petitioner, proved that it still has an existing duty to pay respondent.

Based on the foregoing, petitioner has the burden to prove that it already settled its obligation to respondent. After all, once an indebtedness is proved by evidence, the burden to establish with legal certainty that payment is made rests on the debtor.[32] Nonetheless, petitioner failed to show that it already paid respondent; thus, the CA correctly ordered petitioner to pay the latter.

The Court, nevertheless, agrees with petitioner that the imposition of interest rate of 6%, instead of 12% *per annum*, on the amount due is warranted. On this, the Court finds relevant our pronouncement in the recent case of *Ignacio v. Ragasa*[33] (*Ignacio*), to wit:

> We, however, agree with the petitioners that the interest rate should be at the prevailing rate of six percent (6%) *per annum*, and not twelve percent (12%) *per annum*. In *Nacar v. Gallery Frames, et al.* We modified the guidelines laid down in the case of *Eastern Shipping Lines, Inc. v. Court of Appeals* to embody BSP-MB Circular No. 799, as follows:
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> > I. When an obligation, regardless of its source, *i.e.*, law, contracts, quasi-contracts, delicts or quasi-delicts is breached, the contravenor can be held liable for damages. The provisions under Title XVIII on "Damages" of the Civil Code govern in determining the measure of recoverable damages.
> >
> > II. With regard particularly to an award of interest in the concept of actual and compensatory damages, the rate of interest, as well as the accrual thereof, is imposed, as follows:
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> > > 1. When the obligation is breached, and it consists in the payment of a sum of money, *i.e.*, a loan or forbearance of money, the interest due should be that which may have been stipulated in writing. Furthermore, the interest due shall itself earn legal interest from the time it is judicially demanded. In the absence of stipulation, the rate of interest shall be 6% per annum to be computed from default, *i.e.*, from judicial or extrajudicial demand under and subject to the provisions of Article 1169 of the Civil Code.
> > >
> > > 2. When an obligation, not constituting a loan or forbearance of money, is breached, an interest on the amount of damages awarded may be imposed at the

[32] See *KT Construction Supply, Inc. v. Philippine Savings Bank*, 811 Phil. 626, 633 (2017), citing *Bognot v. RRI Lending Corporation*, 736 Phil. 357, 367 (2014).

[33] G.R. No. 227896, January 29, 2020.

> discretion of the court at the rate of 6% per annum. No interest, however, shall be adjudged on unliquidated claims or damages, except when or until the demand can be established with reasonable certainty. Accordingly, where the demand is established with reasonable certainty, the interest shall begin to run from the time the claim is made judicially or extra-judicially (Art. 1169, Civil Code), but when such certainty cannot be so reasonably established at the time the demand is made, the interest shall begin to run only from the date the judgment of the court is made (at which time the quantification of damages may be deemed to have been reasonably ascertained). The actual base for the computation of legal interest shall, in any case, be on the amount finally adjudged.
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> 3. When the judgment of the court awarding a sum of money becomes final and executory, the rate of legal interest, whether the case falls under paragraph 1 or paragraph 2, above, shall be 6% per annum from such finality until its satisfaction, this interim period being deemed to be by then an equivalent to a forbearance of credit.

And, in addition to the above, judgments that have become final and executory prior to July 1, 2013, shall not be disturbed and shall continue to be implemented applying the rate of interest fixed therein.

It should be noted, however, that the rate of six percent (6%) *per annum* could only be applied prospectively and not retroactively. Consequently, the twelve percent (12%) *per annum* legal interest shall apply only until June 30, 2013. Starting July 1, 2013, the rate of six percent (6%) *per annum* shall be the prevailing rate of interest when applicable. Thus, the need to determine whether the obligation involved herein is a loan and forbearance of money nonetheless exists.

The term "forbearance," within the context of usury law, has been described as a contractual obligation of a lender or creditor to refrain, during a given period of time, from requiring the borrower or debtor to repay the loan or debt then due and payable.

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.

> This case, however, does not involve an acquiescence to the temporary use of a party's money but the performance of a brokerage service.
>
> Thus, the matter of interest award arising from the dispute in this case falls under the paragraph II, subparagraph 2, of the above-quoted modified guidelines, which necessitates the imposition of interest at the rate of 6%, instead of the 12% imposed by the courts below.[34]

Similar to *Ignacio*, the imposition of 6% interest *per annum* is proper considering that the present case does not involve a forbearance of money, there being lack of acquiescence on the part of respondent for petitioner's temporary use of the commission and advances he made in its favor.

Moreover, there is merit in petitioner's argument that respondent is not entitled to damages.

To emphasize, the CA awarded moral and exemplary damages on account of the Court's ruling in G.R. No. 181721 which found the issuance of the writ of attachment against respondent's properties invalid. Nevertheless, the counterclaim of respondent for payment of moral and exemplary damages was *not* based on the preliminary attachment, but because of the filing of the complaint in the main case.[35] In other words, respondent did not interpose here any action to recover damages from the wrongful issuance of the preliminary attachment against his properties, but rather, he claimed that the main case for collection of sum of money was a harassment suit filed against him. Considering that he failed to substantiate such allegation, then there is no basis for the award of moral damages in his favor.

Moreover, let it be underscored that exemplary damages is awarded "*in addition to* moral, temperate, liquidated, or compensatory damages." Given that respondent is found not to be entitled to moral damages, then the grant of exemplary damages must also be deleted for lack of basis.[36] At the same time, the grant of attorney's fees is deleted since the body of the CA decision did not explain the reason for it and merely indicated it in the dispositive portion of the assailed Decision.[37]

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[34] *Id.* Citations omitted.
[35] *See Rollo*, p. 105.
[36] *Sps. Timado v. Rural Bank of San Jose, Inc., et al.*, 789 Phil. 453, 459 (2016).
[37] *Id.* at 460, citing *Alcatel Philippines, Inc. v. I.M. Bongar & Co., Inc., et al.*, 674 Phil. 529, 533 (2011).

WHEREFORE, the petition is **PARTLY GRANTED**. The Decision dated August 31, 2016 of the Court of Appeals in CA-G.R. CV No. 101702 is **AFFIRMED WITH MODIFICATION** in that petitioner Watercraft Ventures Corporation is ordered to pay respondent Alfred Raymond Wolfe US$12,197.32 (in Philippine currency at the rate prevailing at the time of payment) with interest rate of 6% *per annum* from the finality of the Resolution until fully paid. The award of moral and exemplary damages as well as attorney's fees is **DELETED**.

SO ORDERED.

HENRI JEAN PAUL B. INTING
Associate Justice

WE CONCUR:

ESTELA M. PERLAS-BERNABE
Senior Associate Justice
Chairperson

RAMON PAUL L. HERNANDO
Associate Justice

EGARDO L. DELOS SANTOS
Associate Justice

(On leave)
PRISCILLA J. BALTAZAR-PADILLA
Associate Justice

ATTESTATION

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

ESTELA M. PERLAS-BERNABE
Senior Associate Justice
Chairperson

CERTIFICATION

Pursuant to Section 13, Article VIII of the Constitution and the Division Chairperson's Attestation, I certify that the conclusions in the above Resolution 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