



Republic of the Philippines  
**Supreme Court**  
 Manila

FIRST DIVISION

NOTICE

SUPREME COURT OF THE PHILIPPINES  
 PUBLIC INFORMATION OFFICE  
**RECEIVED**  
 DEC 22 2014  
 BY: Janet  
 TIME: 10:45

Sirs/Mesdames:

*Please take notice that the Court, First Division, issued a Resolution dated November 19, 2014, which reads as follows:*

**“GR. No. 114797 - SPOUSES DR. RUDY AND ANITA SIA, doing business under the name & style “Asia Community Pharmacy,” Petitioners, v. SISINIO V. VILLACIN, doing business under the name & style “S.L. Villacin Trading,” Respondent.**

This is a petition for review under Rule 45 of the Rules of Court,\* assailing the Decision<sup>1</sup> dated December 29, 1993 and the Resolution<sup>2</sup> dated March 4, 1994 of the Court of Appeals in CA-G.R. CV No. 29445. Said issuances reversed and set aside the Orders dated April 27, 1990<sup>3</sup> and June 14, 1990<sup>4</sup> of the Regional Trial Court (RTC) of Cebu City, Branch 15, which dismissed Civil Case No. CEB-8708.

On February 9, 1990, respondent Sisinio V. Villacin (Villacin) filed a Complaint<sup>5</sup> for sum of money and damages against petitioners, spouses Rudy and Anita Sia (spouses Sia), which was docketed as Civil Case No. CEB-8708. Villacin alleged that he was the owner and sole proprietor of S.L. Villacin Trading, a business enterprise engaged in the buying and selling of medicines and medical supplies to various regional and provincial health offices and government hospitals. The spouses Sia, on

\* The *rollo* of this case was reconstituted per Court *En Banc* Resolution dated January 22, 2013.  
<sup>1</sup> *Rollo*, pp. 78-97; penned by Associate Justice Ramon Mabutas, Jr. with Associate Justices Gloria C. Paras and Jainal D. Rasul, concurring.  
<sup>2</sup> *Id.* at 104.  
<sup>3</sup> *Id.* at 48-49; penned by Presiding Judge German G. Lee, Jr.  
<sup>4</sup> *Id.* at 50.  
<sup>5</sup> *Id.* at 12-21.

the other hand, were the operators of a pharmacy called Asia Community Pharmacy. Villacin won a bidding for the supply of Amoxicillin 250 and 500 mgs. capsules for the health offices and hospitals in Regions 8 and 10 and, in order to meet his obligation, Villacin purchased from the spouses Sia several quantities of said medicines from August 1988 to March 1989. The spouses Sia delivered the medicines and Villacin duly paid the total purchase price of ₱313,852.00. Villacin said that he subsequently found out that the medicines delivered by the spouses Sia were fake and he was consequently blacklisted and prohibited from making any transactions with the regional health offices of Regions 8 and 10. Villacin was then ordered by the government to replace the medicines and as a result, he suffered pecuniary losses and irreparable damage to his reputation and business good will. Villacin, thus, sought the award of actual, moral and exemplary damages, and other costs.

In their Answer,<sup>6</sup> the spouses Sia denied Villacin's allegations. They alleged, *inter alia*, that Villacin purchased only around ₱95,000.00 worth of Amoxicillin capsules and the medicines they delivered were not fake. The spouses Sia also claimed that Villacin had no cause of action against them and the complaint was dismissible for failure of Villacin to comply with the conditions required by Presidential Decree No. 1508, the Katarungang Pambarangay Law.<sup>7</sup> They added that if the medicines delivered to Villacin were truly fake, the same had for its source a certain Lomabao Casidar from whom Villacin and the spouses themselves had purchased medicines. The spouses Sia prayed for the dismissal of the complaint on the ground, among others, of non-compliance with Presidential Decree No. 1508, as well as for Villacin to pay double costs, moral damages, attorney's fees and expenses of litigation.

On March 15, 1990, Villacin filed a Reply to Special and Affirmative Defenses and Answer to Counterclaim.<sup>8</sup> He argued that even if the case was not referred to the Lupong Tagapayapa<sup>9</sup> [Lupon] prior to its filing, said defect had already been cured by the subsequent compliance with the requirements of Presidential Decree No. 1508 when he filed a formal complaint with the Lupong Tagapayapa of Barangay Sta. Cruz, Cebu City. Villacin attached to his reply the complaint<sup>10</sup> dated March 8, 1990 that he filed before the Lupon.

---

<sup>6</sup> Id. at 22-28.

<sup>7</sup> Presidential Decree No. 1508 is a decree entitled "Establishing a System of Amicably Settling Disputes at the Barangay Level" that was enacted on June 11, 1978.

<sup>8</sup> *Rollo*, pp. 29-31.

<sup>9</sup> Now designated as the Lupong Tagapamayapa under Section 399 of the Local Government Code of 1991.

<sup>10</sup> *Rollo*, pp. 32-33.

On March 20, 1990, the spouses Sia filed a Motion to Dismiss Based on Affirmative/Special Defense.<sup>11</sup> They reiterated therein the fact that at the time the complaint of Villacin was filed in the trial court, no proceedings under Presidential Decree No. 1508 were had, nor any certificate to file action existed. The spouses Sia again prayed for the dismissal of the complaint.

Villacin opposed<sup>12</sup> the motion to dismiss, pointing out that before pre-trial conference was had by the trial court, he subsequently referred the case to the Lupon and he was able to secure the required certification to file action. Attached to the opposition were two certifications to file action issued by the *barangay* secretary, Carmencita Orica, and attested to by the *barangay* captain, Gertrudes V. Itaas. The **first certification**<sup>13</sup> dated March 14, 1990 stated that Villacin wilfully failed to appear for the hearing of his complaint. The **second certification**<sup>14</sup> dated March 21, 1990, on the other hand, stated that Villacin failed to appear as the person who received the *barangay* captain's call failed to inform him (Villacin) of the date of the hearing. Moreover, the Office of the Barangay Captain scheduled another date for a hearing but the spouses Sia were not willing to appear anymore despite Villacin's willingness to talk.

The spouses Sia filed their Reply to the Opposition.<sup>15</sup> With respect to the first certification to file action, the spouses Sia posited that Villacin's failure to appear before the Lupon barred him from seeking judicial recourse. As to the second certification, they argue that the same was not authorized and patently false. The counsel of Villacin allegedly stated in open court that Villacin did not fail to appear during the first hearing but merely arrived late when the spouses Sia already left the *barangay* office.

Villacin filed a Rejoinder<sup>16</sup> to the above reply. Citing *Millare v. Hernando*,<sup>17</sup> Villacin averred that the subsequent issuance of a certification to file action after the case was filed in court was sufficient compliance with the requirements of Presidential Decree No. 1508. Also, Villacin stated that the second certification, which superseded the first, proved that he did not willfully refuse to appear before the Lupon. Attached to the

---

<sup>11</sup> Id. at 34-35.  
<sup>12</sup> Id. at 36-38.  
<sup>13</sup> Id. at 39.  
<sup>14</sup> Id. at 40.  
<sup>15</sup> Id. at 41-42.  
<sup>16</sup> Id. at 188-192.  
<sup>17</sup> 235 Phil. 490 (1987).

rejoinder are the Affidavit<sup>18</sup> of Villacin and a Certification<sup>19</sup> from the Barangay Secretary of Barangay Sta. Cruz, which detailed Villacin's version of the events leading to the issuance of the aforementioned certifications to file action.

On April 27, 1990, the RTC issued its Order dismissing the case without prejudice. The dispositive portion of the order provides:

WHEREFORE, in view of the foregoing considerations, this Court hereby rules, that [Villacin] failed to comply with PD 1508 before filing this action and that the subsequent certifications are of no moment, and therefore orders this case dismissed without prejudice, for prematurity of failure to comply with the conditions precedent for filing of complaints in court.<sup>20</sup>

His motion for reconsideration having been denied by the RTC in its Order dated June 14, 1990, Villacin appealed to the Court of Appeals.

In the assailed Decision dated December 29, 1993, the appellate court reversed and set aside the RTC's order of dismissal, and directed the reinstatement of the case. The Court of Appeals ruled that the subsequent issuance of the certifications to file action constituted substantial compliance with Presidential Decree No. 1508. The appellate court also rejected the spouses Sia's contention that the second certification was void since there was no personal meeting between the parties. The Court of Appeals held that the reason for such lack of personal meeting was attributable to the spouses Sia and not to Villacin.<sup>21</sup> The Court of Appeals Decision decreed:

WHEREFORE, premises considered, this Court hereby **REVERSES** and **SETS ASIDE** the questioned Order of dismissal and directs the reinstatement of Civil Case CEB-8708. Thereafter, let the same be disposed of without further delay.<sup>22</sup>

The spouses Sia sought reconsideration of the Court of Appeals decision but the same was denied per Resolution dated March 4, 1994.

The spouses Sia, thus, filed this petition, arguing that the Court of Appeals erred in holding that the issuance of the second certification to file

---

<sup>18</sup> *Rollo*, pp. 193-194.

<sup>19</sup> *Id.* at 195.

<sup>20</sup> *Id.* at 49.

<sup>21</sup> *Id.* at 96-97.

<sup>22</sup> *Id.* at 97.

action dated March 21, 1990 substantially complied with Presidential Decree No. 1508. The spouses Sia object to the validity of the said certification given that the same was issued as a result of their alleged failure to appear before the Lupon. According to the spouses Sia, the required personal confrontation between the parties was not met since there was no date set for the second hearing wherein they could have actually appeared.<sup>23</sup>

The petition lacks merit.

On the months of February to March of the year 1990, the dates relevant to the instant case, the *katarungang pambarangay* system of amicable settlement of disputes was governed by the provisions of Presidential Decree No. 1508. Section 6 thereof states:

SEC. 6. *Conciliation, pre-condition to filing of complaint.* – No complaint, petition, action or proceeding involving any matter within the authority of the Lupon as provided in Section 2 hereof shall be filed or instituted in court or any other government office for adjudication unless there has been a confrontation of the parties before the Lupon Chairman or the Pangkat and no conciliation or settlement has been reached as certified by the Lupon Secretary or the Pangkat Secretary, attested by the Lupon or Pangkat Chairman, or unless the settlement has been repudiated. x x x.

Subsequently, the Local Government Code of 1991 (Republic Act No. 7160), which took effect on January 1, 1992, expressly repealed Presidential Decree No. 1508.<sup>24</sup> Chapter 7, Title One, Book III<sup>25</sup> of the Local Government Code of 1991 and other related provisions<sup>26</sup> thereof revised the law on the *katarungang pambarangay*. Nonetheless, while Presidential Decree No. 1508 has been repealed by the Local Government Code of 1991, the jurisprudence built on the former law regarding prior referral to the *lupon* – as a pre-condition to the filing of an action in court – remains applicable as Section 6 of Presidential Decree No. 1508 was substantially reproduced in the Code.<sup>27</sup>

<sup>23</sup> Id. at 137-140.

<sup>24</sup> *Diu v. Court of Appeals*, 321 Phil. 857, 864 (1995).

<sup>25</sup> Sections 399-422 of the Local Government Code of 1991.

<sup>26</sup> Sections 44, 46, 393 and 515 of the Local Government Code of 1991.

<sup>27</sup> Section 412 of the Local Government Code of 1991 provides:

SECTION 412. *Conciliation.* - (a) *Pre-condition to filing of complaint in court.* - No complaint, petition, action, or proceeding involving any matter within the authority of the lupon shall be filed or instituted directly in court or any other government office for adjudication, unless there has been a confrontation between the parties before the lupon chairman or the pangkat, and that no conciliation or settlement has been reached as certified by the lupon secretary or pangkat secretary as attested to by the lupon or pangkat chairman or unless the settlement has been repudiated by the parties thereto.

Verily, compliance with the conciliation proceedings provided in Presidential Decree No. 1508 has long been settled by the Court. In *Galuba v. Laureta*,<sup>28</sup> the Court categorically ruled that Section 6 of Presidential Decree No. 1508 is mandatory in character, and non-compliance therewith could affect the sufficiency of the plaintiff's cause of action and make his complaint vulnerable to dismissal on the ground of lack of cause of action or prematurity.

While it may be true that the conciliation proceedings in this case were had after Villacin filed his complaint in court, the Court had occasion to rule in *Millare v. Hernando*<sup>29</sup> that when such defect was initially present when the case was first filed in the trial court, the subsequent issuance of the certification to file action by the *barangay*, which constituted substantial compliance with the said requirement, cured the defect.

Anent the spouses Sia's objection to the validity of the second certification to file action dated March 21, 1990, the same must likewise fail.

As held in *Alinsugay v. Cagampang, Jr.*,<sup>30</sup> Section 7, Rule VI of the Rules Implementing Presidential Decree No. 1508 expressly allows the issuance of a certification for the filing of a complainant's action in court in view of the failure of a respondent to appear before the *Lupon* on the date set for conciliation. Said provision reads:

SECTION 7. *Failure to appear.* - The complaint may be dismissed when complainant, after due notice, willfully fails or refuses to appear on the date set for mediation, conciliation or arbitration. Such dismissal, as certified to by the *Lupon* or *Pangkat* Secretary as the case may be, shall bar the complainant from seeking judicial recourse for the same cause of action as that dismissed.

Upon a similar failure of the respondent to appear, any counterclaim he has made that arises from or is necessarily connected with complainant's action, may be dismissed. Such dismissal, as certified to by the *Lupon* or *Pangkat* Secretary, as the case may be, shall bar the respondent from filing such counterclaim in court; and **it shall likewise be a sufficient basis for the issuance of a certification for filing complainant's cause of action in court or with the proper government agency or office.**

<sup>28</sup> 241 Phil. 667, 672-673 (1988).

<sup>29</sup> Supra note 17 at 496.

<sup>30</sup> 227 Phil. 134, 137 (1986).

In addition, such willful failure or refusal to appear may subject the recalcitrant party or witness to punishment as for contempt of court, *i.e.*, by a fine not exceeding one hundred pesos (₱100.00) or imprisonment of not more than one (1) month of both. (Emphasis ours.)

In the instant case, the spouses Sia essentially argue that they could not be faulted for failing to appear before the Lupon because there was no schedule set for the second hearing to begin with. The Court disagrees. It appears that the lack of a personal confrontation between parties and the absence of a second date of hearing before the Lupon came about because the spouses Sia expressly informed the *barangay* chairman in this case that they were no longer willing to appear before the Lupon inasmuch as the case was already filed in court. This fact was clearly indicated in the second certification dated March 21, 1990, as well as in the Affidavit of Villacin and the Certification issued by the Barangay Secretary of Barangay Sta. Cruz. To the mind of the Court, said act of the spouses Sia constituted a clear waiver of the conciliation proceedings before the Lupon. Under the circumstances of this case, the Lupon obviously had no other alternative but to issue the second certification dated March 21, 1990 in accordance with the rules then prevailing. The spouses Sia cannot, therefore, insist on the dismissal of the case and oblige Villacin to institute conciliation proceedings again before the Lupon.

On a final note, the Court is mindful of the fact that the above-mentioned Section 7, Rule VI of the Rules Implementing Presidential Decree No. 1508 had since been abrogated by the Katarungang Pambarangay Rules implementing the Chapter on Katarungang Pambarangay of the Local Government Code of 1991. Specifically, under Section 8(a),<sup>31</sup> Rule VI of the Katarungang Pambarangay Rules, the failure

<sup>31</sup> Section 8(a), Rule VI of the Katarungang Pambarangay Rules pertinently states:  
SECTION 8. *Failure to appear.* --

a. Sanctions

The complaint may be dismissed when complainant, after due notice, refuses or willfully fails to appear without justifiable reason on the date set for mediation, conciliation or arbitration. Such dismissal ordered by the Punong Barangay/Pangkat Chairman after giving the complainant an opportunity to explain his non-appearance shall be certified to by the Lupon or Pangkat Secretary as the case may be, and shall bar the complainant from seeking judicial recourse for the same cause of action as that dismissed.

Upon a similar failure of the respondent to appear, any counterclaim he has made that arises from or is necessarily connected with complainant's action, may be dismissed. Such dismissal, ordered by the Punong Barangay/Pangkat Chairman after giving the respondent an opportunity to explain his non-appearance shall be certified to by the Lupon or Pangkat Secretary, as the case may be, and shall bar the respondent from filing such counterclaim in court or any government office for adjudication.

Further, in all cases where the respondent fails to appear at the mediation proceedings before the Punong Barangay, it is mandatory for the latter to constitute the Pangkat pursuant to Section 1(c), Rule III hereof, but the respondent's refusal or willful failure to appear without justifiable reason before the Pangkat, as determined by the latter after notice and hearing, shall be a sufficient basis for the issuance of a certification for filing complainant's cause of action in court or with the proper government agency or

of a respondent to appear before the Lupon Chairman for mediation is no longer a ground for the issuance of a certificate to file action in court. Instead, the Punong Barangay is required to constitute the Pangkat ng Tagapagkasundo (Pangkat) who shall then endeavor to arrive at a settlement or resolution to the dispute. The certificate to file action shall be issued if the respondent fails to appear before the Pangkat for conciliation.

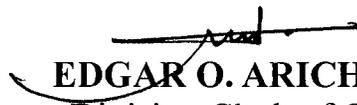
Although Section 8(a), Rule VI of the Katarungang Pambarangay Rules is a rule of procedure that may be given retroactive effect, the Court chooses not to do so for the same would work injustice on the part of Villacin.<sup>32</sup> Under Section 7, Rule VI of the Rules Implementing Presidential Decree No. 1508, the Lupon was already allowed to issue a certification for Villacin to file his action in court in view of the spouses Sia's option not to appear anymore before the Lupon. To apply Section 8(a), Rule VI of the Katarungang Pambarangay Rules retroactively in this case would unfairly result in the creation of new obligations or the imposition of additional duties on the part of the Lupon before they could validly issue a certificate to file action in favor of Villacin. To require compliance with rules that did not exist at the time of the filing of the complaint, necessitating the filing of the case anew, will only cause further delay in the resolution of this case.

**WHEREFORE**, the Decision dated December 29, 1993 and the Resolution dated March 4, 1994 of the Court of Appeals in CA-G.R. CV No. 29445 are hereby **AFFIRMED**.

The Regional Trial Court of Cebu City, Branch 15, is hereby **ORDERED** to proceed with Civil Case No. CEB-8708 without any further delay.

**SO ORDERED.**” **BERSAMIN, J.**, on official travel; **VELASCO, JR., J.**, acting member per S.O. No. 1870 dated November 4, 2014.

Very truly yours,

  
**EDGAR O. ARICHETA**  
Division Clerk of Court  
366

---

office.

<sup>32</sup> See *Tan, Jr. v. Court of Appeals*, 424 Phil. 556, 568-570 (2002).

FLORIDO & ASSOCIATES  
Counsel for Petitioners  
Rm. 310, WDC Bldg.  
Osmeña Blvd. cor. P. Burgos St.  
6000 Cebu City

Court of Appeals (x)  
Manila  
(CA-G.R. CV No. 29445)

ROSELLO FERNANDEZ &  
MANUEL LAW FIRM  
Counsel for Respondent  
Mezzanine Flr., FirstBank Bldg.  
Legaspi St. 6000 Cebu City

The Hon. Presiding Judge  
Regional Trial Court, Br. 15  
6000 Cebu City  
(Civil Case No. CEB-8708)

Public Information Office (x)  
Library Services (x)  
Supreme Court  
(For uploading pursuant to A.M.  
No. 12-7-1-SC)

Judgment Division (x)  
Supreme Court

SR

366

*mb*