



Republic of the Philippines
Supreme Court
Manila

FIRST DIVISION

ADELAIDA SORIANO,
Petitioner,

G.R. No. 181692

Present:

SERENO, C.J.,
Chairperson,
BRION,*
BERSAMIN,
VILLARAMA, JR., and
REYES, JJ.

- versus -

PEOPLE OF THE PHILIPPINES,
Respondent.

Promulgated:

AUG 14 2013

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DECISION

VILLARAMA, JR., J.:

Before this Court is a petition for review on certiorari assailing the May 19, 2005 Decision¹ and January 11, 2008 Resolution² of the Court of Appeals (CA) in CA-G.R. CR No. 23108 insofar as it ordered petitioner to pay ₱74,807 plus interest to private complainant Consolacion R. Alagao.

Petitioner Adelaida Soriano was charged with the crime of estafa on January 30, 1995 under an Information which reads as follows:

That on September 9, 1994, at more or less 2:00 o'clock [sic] in the afternoon, and days thereafter, at Piaping Puti, Macabalan, Cagayan de Oro City, Philippines, and within the jurisdiction of this Honorable Court, the above-named accused, with intent to defraud and cause damage and prejudice by means of deceit, and false pretenses or fraudulent acts executed prior to or simultaneously with the commission of the fraud, did then and there wil[l]fully, unlawfully and feloniously represent and pretend to the offended party, Consolacion Alagao y Regala, who was

* Designated additional member per Special Order No. 1497 dated July 31, 2013.

¹ Rollo, pp. 18-36. Penned by Associate Justice Myrna Dimaranan-Vidal with Associate Justices Teresita Dy-Liacco Flores and Edgardo A. Camello concurring.

² Id. at 38-39. Penned by Associate Justice Edgardo A. Camello with Associate Justices Teresita Dy-Liacco Flores and Mario V. Lopez concurring.

then canvassing for buyers of her one (1) truck load of corn grits containing 398 sacks, that she (accused Adelaida Soriano) was engaged in the business of buying corn grits, among others from the public under the business style of A & R Soriano Trading, paying it in cash, with place of business located at Piaping Puti, Macab[a]lan, this City; that due to accused[’s] representation, said offended party was persuaded and convinced to sell her own corn grits to the former, which cereals came all the way from Old Nungnungan, Don Carlos, Bukidnon; that after unloading said 398 sacks of corn grains in the establishment of said Adelaida Soriano, said accused did not pay offended party for the said goods delivered, but instead she let offended party to sign a Cash Voucher, making it appear thereat that offended party has received the sum of ₱85,607.00, when in truth and in fact accused has not paid the same; that inspite of that misrepresented entries in the Cash Voucher above-cited, the accused further directed to collect the same amount from a neighbor of the offended party in Old Nungnungan, above-mentioned; that perplexed about the actions of Mrs. Adelaida Soriano, offended party proceeded to demand payment from her but the accused failed to pay her monetary obligation [to] the offended party as the accused and her business establishment disappeared from Piaping Puti, Macabalan, this City after the incident, and transferred to an unknown location; that she could not also get back the said 398 sacks of corn grits anymore because the accused had disposed of it already; thus misapplying, misappropriating and converting the said sum of ₱85,607.00 the value of 398 sacks of corn grits, to her own gain and benefit, to the damage and prejudice of the said offended party, in the aforesaid sum of ₱85,607.00, Philippine currency.

Contrary to and in violation to Article 315, par. 2(a), of the Revised Penal Code, as amended.³

When arraigned, petitioner pleaded not guilty.⁴

During pre-trial, the following transpired:

- 1. Parties admitted that on September 9, 1993, private complainant Consolacion Alagao borrowed cash from the accused in the amount of ₱10,000, guaranteed by a titled land, owned by her daughter Evelyn Alagao;
- 2. Parties also agreed that the aforesaid debt was fully paid with corn grains by the private complainant in February, 1994;
- 3. **Parties also agreed that subsequent to this transaction, private complainant’s daughter Evelyn Alagao executed a Contract of Loan secured by Real Estate Mortgage now marked Exh. “1” for the defense, to secure the payment of ₱40,000.00 which private complainant admitted to have received ₱51,730.00 in the form of fertilizers and cash advances[:]**

Fertilizers & Pioneer corn seeds - - - - -	₱17,910.00
(Exh. “A”)	
110 bags chicken dung - - - - -	6,600.00
(Chicken manure)	

³ Records, pp. 1-2.
⁴ Id. at 57.

Hauling expense of th[e]se materials - - - - -	1,570.00
Additional fertilizers - - - - -	9,550.00
(As shown in Exh. "B")	

and several cash advances as follows:

2-7-94 - - - - -	₱4,000.00	
2-14-94 - - - - -	2,000.00	
3-3-94 - - - - -	2,000.00	
No date - - - - -	100.00	
5-1-94 - - - - -	2,000.00	
5-6-94 - - - - -	2,000.00	
7-19-94 - - - - -	500.00	
7-20-94 - - - - -	500.00	
(but which accused claimed [to be]		
₱1,500.00)		
9-10-94 - - - - -	3,000.00	<u>16,100.00</u>
Total		₱51,730.00

4. That private complainant claimed that x x x on August 17, 1994, she delivered a 10-wheeler corn grains (sic) to the accused which parties agreed [was] worth more than ₱80,000.00. And the private complainant claimed having paid the accused partially in the amount of ₱8,060.00 which accused denied. The latter claimed that no payment was ever made because the corn grains were owned by private complainant and another person and that private complainant and companion were paid of the worth of the delivery;

5. Parties agreed that on September 9, 1994 at 2:00 o'clock (sic) in the afternoon[,] there was a delivery by the private complainant with her companions, corn grains worth ₱85,607.00. Private complainant claimed that she was only paid ₱3,000.00 and which accused claimed that she did not pay her because that delivery was in payment of her account and the ₱3,000.00 which she received was advanced payment of whatever remaining after paying her previous accounts to the accused;

6. Parties agreed that there was a Cash Voucher of the amount of corn grains delivered to the accused on September 9, 1994, now marked [as] Exh. "C."⁵ (Emphasis and underscoring supplied.)

Trial on the merits ensued.

Based on the evidence presented and what transpired during the pre-trial, the facts are:

On February 18, 1994, Evelyn Alagao (Evelyn), daughter of private complainant Consolacion Alagao (Alagao), as borrower-mortgagor, executed a "*Contract of Loan Secured by Real Estate Mortgage with Special Power to Sell Mortgage Property without Judicial Proceedings*"⁶ in favor of petitioner as lender-mortgagee. The instrument provides for a ₱40,000 loan secured by

⁵ Id. at 59-60.
⁶ Exh. "1," Exhibits for Accused, pp. 1-2.

a parcel of land covered by Original Certificate of Title No. P-6254,⁷ located in Old Nongnongan, Don Carlos, Bukidnon, registered in Evelyn's name. It likewise provides that the loan was to be paid two years from the date of execution of the contract, **or on February 18, 1996**, and that Evelyn agrees to give petitioner $\frac{1}{4}$ of every harvest from her cornland until the full amount of the loan has been paid, starting from the first harvest. Based on Alagao's testimony, the first harvest was made only in September 1994.⁸ Petitioner on the other hand claims that from the time the loan was obtained until September 1994, there were already four harvests. During pre-trial, it was admitted by Alagao that she did not only receive ₱40,000 as provided in the contract of loan but ₱51,730 in the form of fertilizers and cash advances.⁹

On September 9, 1994, Alagao and some companions delivered 398 sacks of corn grains to petitioner. Petitioner prepared a voucher indicating that Alagao had received the amount of ₱85,607 as full payment for the 398 sacks of corn grains. Alagao signed said voucher even if she only received ₱3,000.¹⁰ According to Alagao, 64 of the 398 sacks will serve as partial payment of her ₱40,000 loan with petitioner while the remaining balance will come from the ₱85,607 cash she was supposed to receive as payment for the corn grains delivered so she can redeem her daughter's land title.¹¹

On March 16, 1999, the Regional Trial Court (RTC) of Misamis Oriental, Branch 40, rendered a decision¹² finding petitioner guilty beyond reasonable doubt of the crime of estafa. The *fallo* of the RTC decision reads:

WHEREFORE, IN VIEW OF THE FOREGOING PREMISES, accused Adelaida Soriano is hereby found guilty beyond reasonable doubt of the crime of Estafa as defined and penalized under Article 315, par. 2(a) of the Revised Penal Code, and is hereby sentenced to suffer imprisonment of Four (4) Years, Two (2) Months and One (1) day of Prision Correccional, as minimum, to Thirteen (13) Years, Four (4) Months of Reclusion Temporal, as maximum and, is hereby further ordered to pay the offended party in this case the amount of ₱85,607.00 representing the value of the 398 sacks of corn grains. Costs against the accused.

SO ORDERED.¹³

Petitioner's conviction, however, was set aside by the CA in the assailed decision. The CA disposed as follows:

WHEREFORE, premises considered, the assailed Decision of the Regional Trial Court of Misamis Oriental, Branch 40, dated 16 March 1999 in Criminal Case No. 95-41 is REVERSED and SET ASIDE. Appellant ADELAIDA SORIANO is ACQUITTED of the crime charged on the ground of reasonable doubt. However, Appellant ADELAIDA

⁷ Exh. "E," Exhibits for Plaintiff, pp. 5-6.

⁸ TSN, September 11, 1996, p. 14.

⁹ Records, p. 59.

¹⁰ TSN, September 10, 1996, pp. 8-9; Exh. "C," Exhibits for Plaintiff, p. 3.

¹¹ TSN, November 5, 1996, pp. 16-17.

¹² Records, pp. 170-177. Penned by Acting Judge Rodrigo F. Lim, Jr.

¹³ Id. at 177.

SORIANO is hereby ordered to pay private complainant CONSOLACION R. ALAGAO the sum of seventy-four thousand, eight hundred seven pesos (₱74,807.00) as payment for the remaining balance of the cash value of the 398 sacks of corn grains, *plus* legal interest at the rate of 12% per annum computed from 9 September 1994 until fully paid.

SO ORDERED.¹⁴

The CA ruled that the prosecution failed to establish that petitioner made false pretenses, fraudulent acts or fraudulent means to induce Alagao to deliver to her the 398 sacks of corn grains. In fact, in Alagao's testimony, she admitted that she delivered the corn grains to petitioner because the latter was demanding payment from her and she wanted to pay her obligation of ₱40,000 to petitioner so that she could get back the title of her daughter's mortgaged property and the balance of the total cash value of the 398 sacks of corn. Thus, the CA held, in the absence of deceit, petitioner's liability is only civil.

In determining petitioner's civil liability, the CA deducted from ₱85,607 – the total value of the 398 sacks of corn grains delivered to petitioner – the ₱3,000 petitioner had paid Alagao and the ₱7,800 which the CA considered as the value of the 64 sacks of corn grains which Alagao intended as partial payment for the ₱40,000 loan, thus leaving the balance of ₱74,807.

Unsatisfied, petitioner is now before this Court questioning her civil liability. She assigns to the CA the following errors:

- 1) The Court of Appeals committed error in the computation of petitioner's civil liability as it failed to apply correctly the principle of set-off or compensation.
- 2) The Court of Appeals, in applying set-off or compensation, erroneously placed private complainant's indebtedness to petitioner at ₱40,000.00 instead of ₱51,730.00 as found by it and as stipulated during pre-trial.
- 3) The Court of [A]ppeals omitted to off-set the amount equivalent to ¼ share of the harvest (or ₱57,200.00) against petitioner's indebtedness to private complainant in the amount of ₱85,607.00 despite admission by private complainant.¹⁵

Petitioner argues that while the CA found her indebted to Alagao in the sum of ₱85,607, it only offset ₱40,000 instead of ₱51,730 which was the amount stipulated during pre-trial. Petitioner contends that the compensation should be as follows:

Petitioner's indebtedness:

₱85,607.00 (value of 398 sacks)

[Alagao's] Indebtedness:

₱51,730.00 (instead of ₱40,000.00)

¹⁴ *Rollo*, p. 35.

¹⁵ *Id.* at 12.

- 3,000.00 (cash payment)	- 7,800.00 (value of 64 sacks)
<u>₱82,607.00</u>	<u>₱43,930.00</u>
- 7,800.00 (value of 64 sacks)	
<u>₱74,807.00</u> (as correctly found by the Court of Appeals) ¹⁶	

Thus, deducting Alagao's indebtedness of ₱43,930 from petitioner's indebtedness amounting to ₱74,807, petitioner's remaining indebtedness should only be ₱30,877.

Petitioner likewise argues that the CA also failed to consider Alagao's obligation to deliver to her ¼ of every harvest. Petitioner claims that her ¼ share in the harvest amounted to ₱57,200 for four harvests. Therefore, applying the principle of set off, it is Alagao who is indebted to petitioner in the amount of ₱26,323 (₱57,200 minus ₱30,877).

Respondent on the other hand contends that the amount of loan extended to Alagao was ₱40,000 and not ₱51,730 as claimed by petitioner. Moreover, the entire value of the 398 sacks of corn grains should not be set off with Alagao's loan since (1) the loan was not yet due and demandable at the time of delivery of the 398 sacks of corn grains in September 1994; and (2) only 154 of the 398 sacks of corn grains belong to Alagao. Respondent also claims that ₱13,765.95¹⁷ should be considered as the correct value of the 64 sacks intended by Alagao as partial payment for the loan and not ₱7,800 as found by the CA.

The petition is partly meritorious.

Compensation is a mode of extinguishing to the concurrent amount, the debts of persons who in their own right are creditors and debtors of each other. The object of compensation is the prevention of unnecessary suits and payments through the mutual extinction by operation of law of concurring debts.¹⁸ Article 1279 of the Civil Code provides for the requisites for compensation to take effect:

ART. 1279. In order that compensation may be proper, it is necessary:

(1) That each one of the obligors be bound principally, and that he be at the same time a principal creditor of the other;

(2) That both debts consist in a sum of money, or if the things due are consumable, they be of the same kind, and also of the same quality if the latter has been stated;

(3) That the two debts be due;

¹⁶ Id.

¹⁷ Computed as follows: ₱13,765.95 = $\frac{₱85,607.00}{398 \text{ sacks}} \times 64 \text{ sacks}$. *Rollo*, pp. 73-74.

¹⁸ *Nadela v. Engineering and Construction Corporation of Asia (ECCO-ASIA)*, 510 Phil. 653, 666 (2005), citing *PNB MADECOR v. Uy*, 415 Phil. 348, 359 (2001), Art. 1278, CIVIL CODE and *Compañia General de Tabacos v. French and Unson*, 39 Phil. 34, 51 (1918).

(4) That they be liquidated and demandable;

(5) That over neither of them there be any retention or controversy, commenced by third persons and communicated in due time to the debtor.

This Court rules that all the above requisites for compensation are present in the instant case.

First, petitioner and Alagao are debtors and creditors of each other. It is undisputable that petitioner and Alagao owe each other sums of money. Petitioner owes ₱85,607 for the value of the corn grains delivered to her by Alagao in September 1994 while Alagao owes petitioner ₱51,730 by virtue of a loan extended by the latter in February 1994.

Second, both debts consist in a sum of money. There is no issue as to the ₱85,607 debt by petitioner that it consists a sum of money. As to the ₱51,730 received by Alagao from petitioner, though what was extended by petitioner consists of cash advances and fertilizers, there is no dispute that said amount is payable in money.

Third, both debts are due. Upon delivery of the 398 sacks to petitioner, she was under the obligation to pay for the value thereof as buyer. As to Alagao's debt, the contract of loan provided that it is payable in February 1996. Though it was not yet due in September 1994 when she delivered the 398 sacks of corn grains to petitioner, it eventually became due at the time of trial of the instant case.

Fourth, both debts are liquidated and demandable. A debt is liquidated when the amount is known or is determinable by inspection of the terms and conditions of relevant documents.¹⁹ There is no dispute that the value of the 398 sacks of corn grains is ₱85,607. As to Alagao's debt, we disagree with respondent People that the loan amount is only ₱40,000 since during pre-trial, Alagao herself admitted that she did not only receive ₱40,000 but ₱51,730 in the form of cash advances and fertilizers from petitioner. It is well settled that an admission made in a stipulation of facts at pre-trial by the parties is considered a judicial admission and, under the Rules of Court, requires no proof. Such admission may be controverted only by a showing that it was made through a palpable mistake or that no such admission was made.²⁰

And lastly, neither of the debts are subject of a controversy commenced by a third person. There are no third-party claims with respect to Alagao's ₱51,730 loan. As to petitioner's ₱85,607 debt representing the 398 sacks of corn grains, Alagao claims that she is not the sole owner of all the 398 sacks. This claim of Alagao, however, was never substantiated and a perusal of the information for estafa shows that the subject corn grains are

¹⁹ *Raquel-Santos v. Court of Appeals*, G.R. Nos. 174986, 175071 & 181415, July 7, 2009, 592 SCRA 169, 196.

²⁰ *Toshiba Information Equipment (Phils.), Inc. v. Commissioner of Internal Revenue*, G.R. No. 157594, March 9, 2010, 614 SCRA 526, 545.

all owned by her. Moreover, the alleged other owners have not commenced any action to protect their claim over it. Thus, the ₱85,607 debt cannot be considered subject of a controversy by a third person.

With the presence of all the requisites mentioned in Article 1279, legal compensation took effect by operation of law as provided in Article 1290 of the Civil Code, to wit:

ART. 1290. When all the requisites mentioned in Article 1279 are present, compensation takes effect by operation of law, and extinguishes both debts to the concurrent amount, even though the creditors and debtors are not aware of the compensation.

Thus, the computation of petitioner's civil liability should be as follows:

Value of the 398 sacks of corn grains	₱85,607
Cash payment by petitioner upon delivery	- 3,000
	₱82,607
Alagao's debt	- 51,730
Petitioner's net civil liability to Alagao	<u>₱30,877</u>

With respect to the $\frac{1}{4}$ share in the harvest due to petitioner as provided in the contract of loan, the same cannot be considered in the legal compensation of the debts of the parties since it does not consist in a sum of money, said share being in the form of harvests. More importantly, it is not yet liquidated. There is still a dispute as to how many harvests were made from the time of the execution of contract of loan up to the time the action was commenced against petitioner and even when the principal obligation became due in February 1996. Thus, the harvests due petitioner is not capable of determination.

WHEREFORE, the May 19, 2005 Decision and January 11, 2008 Resolution of the Court of Appeals in CA-G.R. CR No. 23108 are hereby **AFFIRMED with MODIFICATION**. Petitioner Adelaida Soriano is hereby ordered to pay ₱30,877 as payment for the remaining balance of the cash value of the 398 sacks of corn grains, plus legal interest at the rate of 6%²¹ per annum computed from finality of this Decision until its full satisfaction.

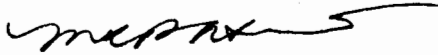
No pronouncement as to costs.

SO ORDERED.


MARTIN S. VILLARAMA, JR.
Associate Justice

²¹ Bangko Sentral ng Pilipinas Circular No. 799, Series of 2013 issued on June 21, 2013.

WE CONCUR:



MARIA LOURDES P. A. SERENO

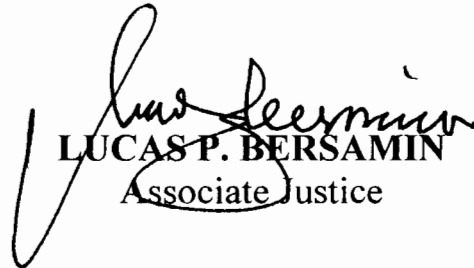
Chief Justice

Chairperson




ARTURO D. BRION

Associate Justice



LUCAS P. BERSAMIN

Associate Justice

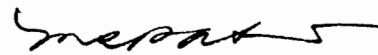


BIENVENIDO L. REYES

Associate Justice

CERTIFICATION

Pursuant to Section 13, Article VIII of the 1987 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