Seaoil Petroleum Corporation vs. Autocorp Group
G.R. No. 164326, October 17, 2008
569 SCRA 387

FACTS:
Appellant Seaoil Petroleum Corporation (Seaoil) purchased a crawler excavator from appellee Autocorp Group payable in 12 monthly installments. The sales agreement was embodied in a Vehicle Sales Invoice and Vehicle Sales Confirmation both signed by the president of Seaaoil. Also agreed by the parties was that despite delivery of the excavator, ownership thereof was to remain with Autocorp until the obligation is fully settled. The president, on behalf of Seaoil, signed and issued 12 postdated checks with Autocorp as payee. The excavator was subsequently delivered by Autocorp and was received by Seaoil in its depot in Batangas.

However, payment was not completed as 10 checks were dishonored by the bank. Despite repeated demands, Seaoil refused to pay the remaining balance. Hence, Autocorp filed a complaint for recovery of personal property with damages and replevin with the RTC of Pasig which rendered a favorable decision and ruled that the transaction between Autocorp and Seaoil was a simple contract of sale payable in installments.

Seaoil appealed before the Court of Appeals claiming that the transaction was not between Seaoil and Autocorp as they were only utilized as conduits to settle the obligation of one foreign entity named Uniline Asia, in favor of another foreign entity, Focus Point International, Inc. The appellate court dismissed the petition and affirmed the trial court's decision.

ISSUE:
Is petitioner's contention that the document falls within the exception to the parol evidence rule tenable?

RULING:
No. The Vehicle Sales Invoice and Vehicle Sales Confirmation did not fail to express the true intent and agreement of the parties. The exception obtains only where the written contract is so ambiguous or obscure in terms that the contractual intention of the parties cannot be understood from a mere reading of the instrument. In such a case, extrinsic evidence of the subject matter of the contract, of the relations of the parties to each other, and of the facts and circumstances surrounding them when they entered into the contract may be received to enable the court to make a proper interpretation of the instrument.

Moreover, the parol evidence rule forbids any addition to, or contradiction of, the terms of a written agreement by testimony or other evidence purporting to show that different terms were agreed upon by the parties, varying the purport of the written contract. Although parol evidence is admissible to explain the meaning of a contract, it cannot serve the purpose of incorporating into the contract additional contemporaneous conditions which are not mentioned at all in the writing unless there has been fraud or mistake. Evidence of a prior or contemporaneous verbal agreement is generally not admissible to vary, contradict or defeat the operation of a valid contract.

590 Phil. 410

THIRD DIVISION

[G.R. No. 164326, October 17, 2008]

SEAOIL PETROLEUM CORPORATION, PETITIONER, VS. AUTOCORP GROUP AND PAUL Y. RODRIGUEZ, RESPONDENTS.

D E C I S I O N

NACHURA, J.:

Before this Court is a Petition for Review on *Certiorari* under Rule 45 of the Rules of Court assailing the Decision[1] of the Court of Appeals (CA) dated May 20, 2004 in CA-G.R. CV No. 72193, which had affirmed *in toto* the Decision[2] of the Regional Trial Court (RTC) of Pasig City, Branch 157, dated September 10, 2001 in Civil Case No. 64943.

The factual antecedents, as summarized by the CA, are as follows:

> On September 24, 1994, defendant-appellant Seaoil Petroleum Corporation (Seaoil, for brevity) purchased one unit of ROBEX 200 LC Excavator, Model 1994 from plaintiff-appellee Autocorp Group (Autocorp for short). The original cost of the unit was P2,500,000.00 but was increased to P3,112,519.94 because it was paid in 12 monthly installments up to September 30, 1995. The sales agreement was embodied in the Vehicle Sales Invoice No. A-0209 and Vehicle Sales Confirmation No. 258. Both documents were signed by Francis Yu (Yu for short), president of Seaoil, on behalf of said corporation. Furthermore, it was agreed that despite delivery of the excavator, ownership thereof was to remain with Autocorp until the obligation is fully settled. In this light, Seaoil's contractor, Romeo Valera, issued 12 postdated checks. However, Autocorp refused to accept the checks because they were not under Seaoil's name. Hence, Yu, on behalf of Seaoil, signed and issued 12 postdated checks for P259,376.62 each with Autocorp as payee.
>
> The excavator was subsequently delivered on September 26, 1994 by Autocorp and was received by Seaoil in its depot in Batangas.
>
> The relationship started to turn sour when the first check bounced. However, it was remedied when Seaoil replaced it with a good check. The second check likewise was also good when presented for payment. However, the remaining 10 checks were not honored by the bank since Seaoil requested that payment be stopped. It was downhill

---

[1] Penned by Associate Justice Mariano C. Del Castillo, with Associate Justices Marina L. Buzon and Noel G. Tijam, concurring; rollo, pp. 26-37.

[2] Penned by Judge Esperanza Fabon-Victorino, id. at 44-52.

from thereon.

Despite repeated demands, Seaoil refused to pay the remaining balance of P2,593,766.20. Hence, on January 24, 1995, Autocorp filed a complaint for recovery of personal property with damages and replevin in the Regional Trial Court of Pasig. The trial court ruled for Autocorp. Hence, this appeal.

Seaoil, on the other hand, alleges that the transaction is not as simple as described above. It claims that Seaoil and Autocorp were only utilized as conduits to settle the obligation of one foreign entity named Uniline Asia (herein referred to as Uniline), in favor of another foreign entity, Focus Point International, Incorporated (Focus for short). Paul Rodriguez (Rodriguez for brevity) is a stockholder and director of Autocorp. He is also the owner of Uniline. On the other hand, Yu is the president and stockholder of Seaoil and is at the same time owner of Focus. Allegedly, Uniline chartered MV Asia Property (sic) in the amount of $315,711.71 from its owner Focus. Uniline was not able to settle the said amount. Hence, Uniline, through Rodriguez, proposed to settle the obligation through conveyance of vehicles and heavy equipment. Consequently, four units of Tatamobile pick-up trucks procured from Autocorp were conveyed to Focus as partial payment. The excavator in controversy was allegedly one part of the vehicles conveyed to Focus. Seaoil claims that Rodriguez initially issued 12 postdated checks in favor of Autocorp as payment for the excavator. However, due to the fact that it was company policy for Autocorp not to honor postdated checks issued by its own directors, Rodriguez requested Yu to issue 12 PBCOM postdated checks in favor of Autocorp. In turn, said checks would be funded by the corresponding 12 Monte de Piedad postdated checks issued by Rodriguez. These Monte de Piedad checks were postdated three days prior to the maturity of the PBCOM checks.

Seaoil claims that Rodriguez issued a stop payment order on the ten checks thus constraining the former to also order a stop payment order on the PBCOM checks.

In short, Seaoil claims that the real transaction is that Uniline, through Rodriguez, owed money to Focus. In lieu of payment, Uniline instead agreed to convey the excavator to Focus. This was to be paid by checks issued by Seaoil but which in turn were to be funded by checks issued by Uniline. x x x[3]

As narrated above, respondent Autocorp filed a Complaint for Recovery of Personal Property with Damages and Replevin[4] against Seaoil before the RTC of Pasig City. In its September 10, 2001 Decision, the RTC ruled that the transaction between Autocorp and Seaoil was a simple contract of sale payable in installments.[5] It also held that the obligation to pay plaintiff the remainder of the purchase price of the excavator solely devolves on Seaoil. Paul Rodriguez, not being a party to the sale of the excavator, could not be held liable therefor. The decretal portion of the trial court's Decision reads, thus:

WHEREFORE, judgment is hereby rendered in favor of plaintiff Autocorp Group and against defendant Seaoil Petroleum Corporation which is hereby directed to pay plaintiff:

---

[3] Id. at 27-29.
[4] Records, pp. 1-9.
[5] Rollo, p. 50.

- P2,389,179.23 plus 3% interest from the time of judicial demand until full payment; and

- 25% of the total amount due as attorney's fees and cost of litigation.

The third-party complaint filed by defendant Seaoil Petroleum Corporation against third-party defendant Paul Rodriguez is hereby DISMISSED for lack of merit.

SO ORDERED.

Seaoil filed a Petition for Review before the CA. In its assailed Decision, the CA dismissed the petition and affirmed the RTC's Decision *in toto*.[6] It held that the transaction between Yu and Rodriguez was merely verbal. This cannot alter the sales contract between Seaoil and Autocorp as this will run counter to the parol evidence rule which prohibits the introduction of oral and parol evidence to modify the terms of the contract. The claim that it falls under the exceptions to the parol evidence rule has not been sufficiently proven. Moreover, it held that Autocorp's separate corporate personality cannot be disregarded and the veil of corporate fiction pierced. Seaoil was not able to show that Autocorp was merely an alter ego of Uniline or that both corporations were utilized to perpetrate a fraud. Lastly, it held that the RTC was correct in dismissing the third-party complaint since it did not arise out of the same transaction on which the plaintiff's claim is based, or that the third party's claim, although arising out of another transaction, is connected to the plaintiff's claim. Besides, the CA said, such claim may be enforced in a separate action.

Seaoil now comes before this Court in a Petition for Review raising the following issues:

I

Whether or not the Court of Appeals erred in partially applying the parol evidence rule to prove only some terms contained in one portion of the document but disregarded the rule with respect to another but substantial portion or entry also contained in the same document which should have proven the true nature of the transaction involved.

II

Whether or not the Court of Appeals gravely erred in its judgment based on misapprehension of facts when it declared absence of facts which are contradicted by presence of evidence on record.

III

Whether or not the dismissal of the third-party complaint would have the legal effect of res judicata as would unjustly preclude petitioner from enforcing its claim against respondent Rodriguez (third-party defendant) in a separate action.

IV

Whether or not, given the facts in evidence, the lower courts should have pierced the corporate veil.

---

[6] Id. at 37.

The Petition lacks merit. We sustain the ruling of the CA.

We find no fault in the trial court's appreciation of the facts of this case. The findings of fact of the trial court are conclusive upon this Court, especially when affirmed by the CA. None of the exceptions to this well-settled rule has been shown to exist in this case.

Petitioner does not question the validity of the vehicle sales invoice but merely argues that the same does not reflect the true agreement of the parties. However, petitioner only had its bare testimony to back up the alleged arrangement with Rodriguez.

The Monte de Piedad checks - the supposedly "clear and obvious link"[7] between the documentary evidence and the true transaction between the parties - are equivocal at best. There is nothing in those checks to establish such link. Rodriguez denies that there is such an agreement.

Unsubstantiated testimony, offered as proof of verbal agreements which tends to vary the terms of a written agreement, is inadmissible under the parol evidence rule.[8]

Rule 130, Section 9 of the Revised Rules on Evidence embodies the parol evidence rule and states:

> SEC. 9. *Evidence of written agreements.*--When the terms of an agreement have been reduced to writing, it is considered as containing all the terms agreed upon and there can be, between the parties and their successors-in-interest, no evidence of such terms other than the contents of the written agreement.
>
> However, a party may present evidence to modify, explain or add to the terms of the written agreement if he puts in issue in his pleading:
>
> (a) An intrinsic ambiguity, mistake or imperfection in the written agreement;
>
> (b) The failure of the written agreement to express the true intent and agreement of the parties thereto;
>
> (c) The validity of the written agreement; or
>
> (d) The existence of other terms agreed to by the parties or their successors-in-interest after the execution of the written agreement.
>
> The term "agreement" includes wills.

The parol evidence rule forbids any addition to, or contradiction of, the terms of a written agreement by testimony or other evidence purporting to show that different terms were agreed upon by the parties, varying the purport of the

---

[7] Id. at 15.

[8] Spouses Sabio v. The International Corporate Bank, Inc., 416 Phil. 785, 816 (2001), citing Aerospace Chemical Industries, Inc. v. Court of Appeals, 315 SCRA 92, 107 (1999).

written contract.[9]

This principle notwithstanding, petitioner would have the Court rule that this case falls within the exceptions, particularly that the written agreement failed to express the true intent and agreement of the parties. This argument is untenable.

Although parol evidence is admissible to explain the meaning of a contract, it cannot serve the purpose of incorporating into the contract additional contemporaneous conditions which are not mentioned at all in the writing unless there has been fraud or mistake.[10] Evidence of a prior or contemporaneous verbal agreement is generally not admissible to vary, contradict or defeat the operation of a valid contract.[11]

The Vehicle Sales Invoice[12] is the best evidence of the transaction. A sales invoice is a commercial document. Commercial documents or papers are those used by merchants or businessmen to promote or facilitate trade or credit transactions.[13] Business forms, *e.g.*, order slip, delivery charge invoice and the like, 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 in fact transpired.[14] These documents are not mere scraps of paper bereft of probative value, but vital pieces of evidence of commercial transactions. They are written memorials of the details of the consummation of contracts.[15]

The terms of the subject sales invoice are clear. They show that Autocorp sold to Seaoil one unit Robex 200 LC Excavator paid for by checks issued by one Romeo Valera. This does not, however, change the fact that Seaoil Petroleum Corporation, as represented by Yu, is the customer or buyer. The moment a party affixes his or her signature thereon, he or she is bound by all the terms stipulated therein and is subject to all the legal obligations that may arise from their breach.[16]

Oral testimony on the alleged conditions, coming from a party who has an interest in the outcome of the case, depending exclusively on human memory, is not as reliable as written or documentary evidence.[17]

Hence, petitioner's contention that the document falls within the exception to the parol evidence rule is untenable. The exception obtains only where "the written

---

[9] Spouses Edrada v. Spouses Ramos, G.R. No. 154413, August 31, 2005, 468 SCRA 597, 604.
[10] Ortañez v. CA, 334 Phil. 519 (1997), citing Pioneer Savings and Loan Bank v. Court of Appeals, 226 SCRA 740, 744 (1993).
[11] Lapulapu Foundation, Inc. v. Court of Appeals, 466 Phil. 53, 62 (2004), citing MC Engineering v. CA, 380 SCRA 116 (2002).
[12] Records, p. 22.
[13] Monteverde v. People, 435 Phil. 906, 921 (2002), citing Reyes, The Revised Penal Code, Book II, 1998 ed., p. 235.
[14] Donato C. Cruz Trading Corporation v. Court of Appeals, 400 Phil. 776, 782 (2000).
[15] Monteverde v. People, supra note 13, citing Lagon v. Hooven Comalco Industries, Inc., 349 SCRA 363, 379 (2001).
[16] Camacho v. Court of Appeals, G.R. No. 127520, February 9, 2007, 515 SCRA 242, 261.
[17] Pilipinas Bank v. Court of Appeals, 395 Phil. 751, 757-758 (2000), citing Ortañez v. CA, supra note 10.

contract is so *ambiguous or obscure* in terms that the contractual intention of the parties cannot be understood from a mere reading of the instrument. In such a case, extrinsic evidence of the subject matter of the contract, of the relations of the parties to each other, and of the facts and circumstances surrounding them when they entered into the contract may be received to enable the court to make a proper interpretation of the instrument."[18]

Even assuming there is a shred of truth to petitioner's contention, the same cannot be made a basis for holding respondents liable therefor.

As pointed out by the CA, Rodriguez is a person separate and independent from Autocorp. Whatever obligations Rodriguez contracted cannot be attributed to Autocorp[19] and vice versa. In fact, the obligation that petitioner proffers as its defense - under the Lease Purchase Agreement - was not even incurred by Rodriguez or by Autocorp but by Uniline.

The Lease Purchase Agreement[20] clearly shows that the parties thereto are two corporations not parties to this case: Focus Point and Uniline. Under this Lease Purchase Agreement, it is Uniline, as lessee/purchaser, and not Rodriguez, that incurred the debt to Focus Point. The obligation of Uniline to Focus Point arose out of a transaction completely different from the subject of the instant case.

It is settled that a corporation has a personality separate and distinct from its individual stockholders or members, and is not affected by the personal rights, obligations and transactions of the latter.[21] The corporation may not be held liable for the obligations of the persons composing it, and neither can its stockholders be held liable for its obligation.[22]

Of course, this Court has recognized instances when the corporation's separate personality may be disregarded. However, we have also held that the same may only be done in cases where the corporate vehicle is being used to defeat public convenience, justify wrong, protect fraud, or defend crime.[23] Moreover, the wrongdoing must be clearly and convincingly established. It cannot be presumed.[24]

To reiterate, the transaction under the Vehicle Sales Invoice is separate and distinct from that under the Lease Purchase Agreement. In the former, it is Seaoil that owes Autocorp, while in the latter, Uniline incurred obligations to Focus. There was never any allegation, much less any evidence, that Autocorp was merely an alter ego of Uniline, or that the two corporations' separate personalities were being used as a means to perpetrate fraud or wrongdoing.

---

[18] Ortañez v. CA, supra note 10, citing Heirs of del Rosario v. Santos, 194 Phil. 671, 687 (1981).
[19] Rollo, p. 33.
[20] Records, p. 514.
[21] Philippine National Bank v. Ritrato Group, Inc., 414 Phil. 494, 503 (2001), citing Yutivo Sons Hardware Company v. Court of Tax Appeals, 1 SCRA 160 (1961). See also Elcee Farms, Inc., v. National Labor Relations Commission, G.R. No. 126428, January 25, 2007, 512 SCRA 603.
[22] Padilla v. Court of Appeals, 421 Phil. 883, 895 (2001).
[23] Id.; Development Bank of the Philippines v. Court of Appeals, 415 Phil. 538, 546 (2001), citing Yutivo Sons Hardware Company v. Court of Tax Appeals, 1 SCRA 160 (1961). See also Jardine Davies, Inc. v. JRB Realty, Inc., G.R. No. 151438, July 15, 2005, 463 SCRA 555.
[24] Padilla v. Court of Appeals, supra note 22.

Moreover, Rodriguez, as stockholder and director of Uniline, cannot be held personally liable for the debts of the corporation, which has a separate legal personality of its own. While Section 31 of the Corporation Code[25] lays down the exceptions to the rule, the same does not apply in this case. Section 31 makes a director personally liable for corporate debts if he willfully and knowingly votes for or assents to patently unlawful acts of the corporation. Section 31 also makes a director personally liable if he is guilty of gross negligence or bad faith in directing the affairs of the corporation.[26] The bad faith or wrongdoing of the director must be established clearly and convincingly. Bad faith is never presumed.[27]

The burden of proving bad faith or wrongdoing on the part of Rodriguez was, on petitioner, a burden which it failed to discharge. Thus, it was proper for the trial court to have dismissed the third-party complaint against Rodriguez on the ground that he was not a party to the sale of the excavator.

Rule 6, Section 11 of the Revised Rules on Civil Procedure defines a third-party complaint as a claim that a defending party may, with leave of court, file against a person not a party to the action, called the third-party defendant, for contribution, indemnity, subrogation or any other relief, in respect of his opponent's claim.

The purpose of the rule is to permit a defendant to assert an independent claim against a third party which he, otherwise, would assert in another action, thus preventing multiplicity of suits.[28] Had it not been for the rule, the claim could have been filed separately from the original complaint.[29]

Petitioner's claim against Rodriguez was fully ventilated in the proceedings before the trial court, tried and decided on its merits. The trial court's ruling operates as *res judicata* against another suit involving the same parties and same cause of action. This is rightly so because the trial court found that Rodriguez was not a party to the sale of the excavator. On the other hand, petitioner Seaoil's liability has been successfully established by respondent.

A last point. We reject Seaoil's claim that "the ownership of the subject excavator, having been legally and completely transferred to Focus Point International, Inc., cannot be subject of replevin and plaintiff [herein respondent Autocorp] is not legally entitled to any writ of replevin."[30] The claim is negated by the sales invoice which clearly states that "[u]ntil after the vehicle is fully paid inclusive of bank clearing time, it remains the property of Autocorp Group

---

[25] Liability of directors, trustees or officers. - Directors or trustees who willfully and knowingly vote for or assent to patently unlawful acts of the corporation or who are guilty of gross negligence or bad faith in directing the affairs of the corporation or acquire any personal or pecuniary interest in conflict with their duty as such directors or trustees shall be liable jointly and severally for all damages resulting therefrom suffered by the corporation, its stockholders or members and other persons.

[26] Carag v. National Labor Relations Commission, G.R. No. 147590, April 2, 2007, 520 SCRA 28, 48.

[27] Id. at 49. (Citations omitted).

[28] Asian Construction and Development Corporation v. Court of Appeals, G.R. No. 160242, May 17, 2005, 458 SCRA 750, 758.

[29] Id. at 759, citing Allied Banking Corporation v. Court of Appeals, 178 SCRA 526 (1989).

[30] Records, p. 79.

which reserves the right to take possession of said vehicle at any time and place without prior notice."[31]

Considering, first, that Focus Point was not a party to the sale of the excavator and, second, that Seaoil indeed failed to pay for the excavator in full, the same still rightfully belongs to Autocorp. Additionally, as the trial court found, Seaoil had already assigned the same to its contractor for the construction of its depot in Batangas.[32] Hence, Seaoil has already enjoyed the benefit of the transaction even as it has not complied with its obligation. It cannot be permitted to unjustly enrich itself at the expense of another.

WHEREFORE, the foregoing premises considered, the Petition is hereby **DENIED**. The Decision of the Court of Appeals dated May 20, 2004 in CA-G.R. CV No. 72193 is **AFFIRMED**.

SO ORDERED.

Ynares-Santiago, (Chairperson), Austria-Martinez, Azcuna[*], and *Chico-Nazario, JJ.*, concur.

---

[*] Additional member replacing Associate Justice Ruben T. Reyes per Special Order dated September 29, 2008.

---

[31] Id. at 22.
[32] Rollo, p. 51.