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FIRST DIVISION

[G.R. No. 203566. June 23, 2020]

TOTAL PETROLEUM PHILIPPINES CORPORATION, *petitioner*, *vs.* **EDGARDO LIM and TYREPLUS INDUSTRIAL SALES, INC.,** *respondents.*

SYLLABUS

1. REMEDIAL LAW; EVIDENCE; CREDIBILITY; AS A RULE, FACTUAL FINDINGS OF THE COURT OF APPEALS ARE BINDING ON THE COURT; EXCEPTIONS. — As a rule, the factual findings of the Court of Appeals are binding on the Court, except in the following cases: **(1) when the findings are grounded entirely on speculations, surmises or conjectures; (2) when the inference made is manifestly mistaken, absurd or impossible**; (3) when there is grave abuse of discretion; **(4) when the judgment is based on a misapprehension of facts; (5) when the findings of fact are conflicting**; (6) when in making its findings the Court of Appeals went beyond the issues of the case, or its findings are contrary to the admissions of both the appellant and the appellee; **(7) when the findings are contrary to that of the trial court**; (8) when the findings are conclusions without citation of specific evidence on which they are based; (9) when the facts set forth in the petition as well as in the petitioner's main and reply briefs are not disputed by the respondent; **(10) when the findings of fact are premised on the supposed absence of evidence and contradicted by the evidence on record**; or (11) when the Court of Appeals manifestly overlooked certain relevant facts not disputed by the parties, which, if properly considered, would justify a different conclusion.

2. CIVIL LAW; OBLIGATIONS AND CONTRACTS; ESTOPPEL; ELUCIDATED. — Estoppel arises when one, by his acts, representations, or admissions, or by his silence when he ought to speak out, intentionally or through culpable negligence induces another to believe certain facts to exist and such other rightfully relies and acts on such belief, so that he will be prejudiced if the former is permitted to deny the existence of such facts. The doctrine of estoppel is based upon the grounds of public

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policy, fair dealing, and good faith, and its purpose is to forbid one to speak against his own act, representations, or commitments to the injury of one to whom they were directed and who reasonably relied thereon.

3. MERCANTILE LAW; CORPORATIONS; CORPORATION'S DIRECTORS, OFFICERS, OR EMPLOYEES ARE GENERALLY NOT PERSONALLY LIABLE FOR THE OBLIGATIONS OF THE CORPORATION; REQUISITES WHEN TO HOLD A DIRECTOR OR OFFICER PERSONALLY LIABLE FOR CORPORATE OBLIGATIONS. — In ***Bank of Commerce v. Nite,*** the general rule is that a corporation is invested by law with a personality separate and distinct from the persons composing it. The obligations of a corporation, acting through its directors, officers, and employees, are its own sole liabilities. Therefore, the corporation's directors, officers, or employees are generally not personally liable for the obligations of the corporation. To hold a director or officer personally liable for corporate obligations, **two requisites** must concur: (1) complainant must allege in the complaint that the director or officer assented to patently unlawful acts of the corporation, or that the officer was guilty of gross negligence or bad faith; and (2) complainant must clearly and convincingly prove such unlawful acts, negligence or bad faith. To hold a director or officer personally liable for debts of the corporation, and thus pierce the veil of corporate fiction, the bad faith or wrongdoing of the director or officer must be **established clearly and convincingly**.

4. CIVIL LAW; DAMAGES; ACTUAL DAMAGES; ONE IS ENTITLED THERETO FOR SUCH PECUNIARY LOSS SUFFERED AS DULY PROVED; CASE AT BAR. — Article 2199 of the *Civil Code* provides that one is entitled to actual damages for such pecuniary loss suffered as duly proved. Here, Total was able to prove the advertising and promotional materials it delivered to Tyreplus in the amount of ₱401,308.64 as evidenced by the bill of lading from Solid Shipping Lines Corporation. Hence, the award of actual damages in the amount of ₱401,308.64 is retained.

5. ID.; ID.; LIQUIDATED DAMAGES; TO BE PAID IF THERE IS A BREACH OF THE CONTRACT, AS AGREED UPON BY THE PARTIES; CASE AT BAR. — As for liquidated damages, Article 2226 of the *Civil Code* states "liquidated

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damages are those agreed upon by the parties to a contract, to be paid in case of breach thereof." In this case, the Distributorship Agreement between Tyreplus and Total shows no stipulation on liquidated damages to be paid in case of breach thereof. In the absence of stipulation, the award of ₱25,000.00 as liquidated damages should be deleted.

6. ID.; ID.; EXEMPLARY DAMAGES; EXEMPLARY OR CORRECTIVE DAMAGES MAY BE IMPOSED, BY WAY OF EXAMPLE OR CORRECTION FOR THE PUBLIC GOOD, IN ADDITION TO EITHER MORAL, TEMPERATE, LIQUIDATED, OR COMPENSATORY DAMAGES; CASE AT BAR. — On exemplary damages, Article 2229 of the *Civil Code* provides that exemplary or corrective damages may be imposed, by way of example or correction for the public good, in addition to either moral, temperate, liquidated, or compensatory damages. Here, since Tyreplus failed to honor its contract with Total, and considering further the award of actual or compensatory damages to Total, a grant of exemplary damages in the amount of ₱50,000.00 is proper.

7. ID.; ID.; ATTORNEY'S FEES; AWARD THEREOF IS PROPER WHEN A PARTY IS CONSTRAINED TO LITIGATE TO PROTECT ITS INTERESTS; CASE AT BAR. — As for attorney's fees, suffice it to state that because Total was constrained to litigate to protect its interests, the award of attorney's fees in the amount of ₱94,585.26 is retained pursuant to Article 2208 of the *Civil Code*.

APPEARANCES OF COUNSEL

Abel C. Coloma for petitioner.

Into Pantojan Feliciano Braceros & Lumbatan Law Offices for respondents.

D E C I S I O N

LAZARO-JAVIER, *J.*:

The Case

This Petition for Review on *Certiorari* assails the following dispositions of the Court of Appeals in CA-G.R. CV No. 00819-

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MIN entitled "*Edgardo Lim and Tyreplus Industrial Sales, Incorporated v. Total Petroleum Philippines Corporation*":

1. Decision[1] dated February 29, 2012 reversing the Decision[2] dated November 15, 2005 of the Regional Trial Court (RTC) — Branch 10, Davao City in Civil Case No. 28102-2000 finding herein respondents Edgardo Lim and Tyreplus Industrial Sales, Inc. liable for damages in favor of petitioner Total Petroleum Philippines Corporation; and
2. Resolution[3] dated September 27, 2012 denying petitioner's motion for reconsideration.

Antecedents

On September 14, 2000, respondents Edgardo Lim and Tyreplus Industrial Sales, Inc. a corporation engaged in the marketing of automotive parts, oil, and lubricants,[4] filed a complaint for damages and attorney's fees against petitioner Total Petroleum Philippines Corporation, a corporation engaged in the manufacture, importation, and wholesale of automotive products and industrial lubricants.[5] The case was raffled to the RTC-Branch 10, Davao City.[6]

Respondents essentially averred that on December 1, 1999, Tyreplus, through its President Edgardo Lim, entered into a Commercial Distributorship Agreement[7] with Total. The Agreement was enforceable for twelve (12) months subject to renewal. Under Article 2 of the Agreement, Tyreplus was granted

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[1] Penned by Associate Justice Romulo Borja and concurred in by Associate Justices Pamela Ann Abella Maxino and Zenaida Galapate Laguilles; *rollo*, pp. 33-61.

[2] Penned by Judge Jaime V. Quitain, *id.* at 77-88.

[3] *Id.* at 8-10.

[4] TSN, December 5, 2001, p. 5.

[5] *Rollo*, p. 34.

[6] *Id.* at 77.

[7] *Id.* at 34.

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a *"non-exclusive and non-transferable"* authority to distribute and sell Total petroleum products,[8] *viz.*:

Article 2 – RIGHTS GRANTED BY TPPC TO THE DISTRIBUTOR
TPPC hereby grants the **non-exclusive, non-transferable authority to the DISTRIBUTOR ---**

2.1 **To market and distribute the Products under the Trade Marks in the Territory**;

2.2 During the continuance of this Agreement, the DISTRIBUTOR, neither by itself nor by its stockholders, officers, directors, staff, or agents, or any of them shall without the consent in writing of TPPC, be interested whether directly or indirectly, in the sale, supply or promotion in the Territory of, or in any other manner deal with, any other oil or allied products similar or competing with the products. To this end, the DISTRIBUTOR shall, cease manufacturing, selling, or in any other manner deal with, directly or indirectly, any product in similar or competition with the Products. (Emphasis supplied)

Article 4[9] of the Agreement enumerates Tyreplus' obligations on the distribution and sale of Total products, thus:

Article 4 – DISTRIBUTION OF THE PRODUCTS

4.1 The DISTRIBUTOR shall, at all time during the duration of this AGREEMENT, and under the guidance of TPPC, arrange for and organize the efficient marketing and distribution of the Products within the Territory, and shall use its best endeavors to vigorously promote the sale thereof. x x x

4.2 The DISTRIBUTOR shall, distribute the Products in the same quality and under the same packaging in which they have been received from TPPC.

4.3 The DISTRIBUTOR shall, at all time, conduct its distribution activities with due regard and consideration, and without prejudice,

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[8] *Id.* at 34; Record, p. 490.
Article 2 of the Commercial Distributorship Agreement between Total and Tyreplus states: – Rights Granted by TPPC to the Distributor:

TPPC hereby grants the non-exclusive, non-transferable authority to the distributor.

x x x x x x x x x

[9] Record, pp. 490-493.

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to their impact on the other products of TPPC and the latter's relationship with its other distributors.

4.4 The DISTRIBUTOR shall not, without the consent in writing of TPPC, sell or dispose of the Products to any person, firm, or company outside the Territory; nor shall the DISTRIBUTOR knowingly sell or dispose the Product to any person, firm or company residing or carrying on business in the Territory, with a view to the same being sent or exported to any place or country outside the Territory. x x x

4.5 The DISTRIBUTOR shall maintain at all time, an accurate, detailed and complete account of sales and inventories of the Products and other records concerning its dealership of the Products. x x x

4.6 The DISTRIBUTOR shall also promptly provide TPPC with reports and such other necessary market research assistance as may be required by TPPC, from time to time, detailing the activities of competitors in the Territory. x x x

4.7 The DISTRIBUTOR shall provide TPPC an annual sale forecast x x x and upon request of TPPC, the DISTRIBUTOR shall likewise promptly provide TPPC with a quarterly update of the sales forecast before the start of each quarter.

4.8 The DISTRIBUTOR shall promptly provide TPPC with a monthly inventory report, in units and value upon TPPC's request.

4.9 The DISTRIBUTOR's minimum purchases of the Products during the term of this agreement shall be those set forth in Appendix 2. x x x

4.10 The DISTRIBUTOR may carry out an advertising programs for the Products for the purpose of meeting the marketing objectives as shall have been agreed with TPPC x x x.

4.11 TPPC shall, at its discretion, assist the DISTRIBUTOR in any public relations exercise, and provide assistance in the development of promotional materials. x x x

4.12 Title and risk to the products shall automatically pass to the DISTRIBUTOR upon the actual receipt of the Products by the latter as materialized by the signature of the DISTRIBUTOR or any of his designates. x x x

4.13 The DISTRIBUTOR shall permit and/or its duly authorized representatives:

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a) To enter any plant premises where the Products shall be sold or kept x x x, and to inspect and take inventories of all stocks of the Products held therein and of all processes for marketing carried on therein;

b) To have access to the customer lists of salesmen and sub-distributors of the DISTRIBUTOR, and other accounts of the DISTRIBUTOR relating to the marketing and sale of the Products, take and keep copies thereof, and immediately upon the written request of TPPC, furnish TPPC copies of such list.

4.14 TPPC shall provide all relevant product data sheets for the customer's knowledge of automotive and industrial lubricants, and, at its discretion, provide assistance to develop customers by way of conferences, seminars and on-site demonstrations or conduct trial tests.

4.15 TPPC will assist in the professional development of the DISTRIBUTOR's personnel tasked with the promotion and sale of the Products.

4.16 The Distributor warrants that x x x it shall have the necessary knowledge, facilities, manpower and capability x x x to carry on distribution activities and to sell and distribute the Products.

Pursuant thereto, Total delivered its various products to Tyreplus for distribution and sale. Lim, thereafter, purchased six (6) vehicles to facilitate the distribution and sale of these products.[10] He offered in evidence the vehicles' certificates of registration and official registration fee receipts.[11] He admitted, though, that some of these vehicles were not exclusively used for distribution and sale of Total products while some were just parked at his residence.[12]

On December 31, 1999, Tyreplus' General Manager Brigido Tan resigned, prompting Lim to take over the company operations.[13] Lim discovered that Tan used the name of Tyreplus

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[10] TSN, December 5, 2001, p. 12.

[11] Record, pp. 505-510.

[12] TSN, December 5, 2001, p. 42.

[13] *Rollo*, p. 78.

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to pursue Tan's personal interest. Thus, in order to remove the bad image Tan had created, Tyreplus had purportedly changed its name to Superpro Industrial Sales Corporation.[14]

On January 31, 2000, using the letterhead "Superpro Ind. Sales Corp." Lim wrote Total that "Superpro Industrial Sales Corporation" will be the new trade name of Tyreplus Sales Corporation.[15] On February 4, 2000, Lim had a meeting with Total's Marketing Manager Beau Santos and Sales Executive Gigi Gonzales.[16] There, Lim reiterated to these Total executives that Tyreplus had purportedly changed its name to Superpro. In another meeting on February 10, 2000, Lim handed to Total's Marketing Manager Beau Santos a copy of Superpro's Articles of Incorporation.[17] Article 2 of Superpro's Articles of Incorporation indicated its primary purpose *i.e.*, buying, selling, importing, exporting or dealing of automotive parts and lubricants, including the repair and service of these automotive parts, thus:

> Article II — x x x purpose for which said corporation is formed:
> Primary Purpose
>
> To **engage in the business of buying, selling, importing and exporting or dealing in any and all kinds** of goods, wares, commodities and merchandise of every class and description such as but not limited to **tires, batteries, lubricants**, industrial and agricultural machineries, heavy and light equipment, engines, implements, construction materials, fixtures and all its **parts or accessories**, including the repair and service thereof. (emphasis supplied)
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> x x x x x x x x x

Total was also furnished copy with Superpro's Certificate of Incorporation,[18] *viz.*:

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[14] TSN, December 5, 2001, p. 6.

[15] Exhibit "6".

[16] TSN, December 5, 2001, p. 22.

[17] *Id.* at 48-49.

[18] Superpro's Certificate of Incorporation was dated February 8, 2000, record, p. 542.

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This is to certify that the **Articles and By-Laws of Superpro Industrial Sales Corporation are duly registered by the Commission on this date upon issuance of this Certificate of Incorporation** in accordance with the Corporation Code of the Philippines (Batas Pambansa Blg. 68), approved on May 1, 1980 x x x (Emphasis supplied).

Notably, the Articles of Incorporation did not mention anything about Tyreplus being Superpro's supposed predecessor.

On even date, Total signed a new Commercial Distributorship Agreement[19] with Superpro. It was similar to what Total and Tyreplus had previously entered into. Articles 2 and 4 of the Agreement provided, thus:[20]

Article 2 – RIGHTS GRANTED BY TPPC TO THE DISTRIBUTOR
TPPC **hereby grants the non-exclusive, non-transferable authority to the DISTRIBUTOR ---**

2.1 **To market and distribute the Products under the Trade Marks in the Territory**;

2.2 During the continuance of this Agreement, the DISTRIBUTOR, neither by itself nor by its stockholders, officers, directors, staff, or agents, or any of them shall without the consent in writing of TPPC, be interested whether directly or indirectly, in the sale, supply or promotion in the Territory of, or in any other manner deal with, any other oil or allied products similar or competing with the products. To this end, the DISTRIBUTOR shall, cease manufacturing, selling, or in any other manner deal with, directly or indirectly, any product in similar or competition with the Products.

x x x x x x x x x

Article 4 – DISTRIBUTION OF THE PRODUCTS
4.1 The DISTRIBUTOR shall, at all time during the duration of this AGREEMENT, and under the guidance of TPPC, arrange for and organize the efficient marketing and distribution of the Products within the Territory, and shall use its best endeavors to vigorously promote the sale thereof. x x x

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[19] *Id.* at 517-527.

[20] *Id.*

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4.2 The DISTRIBUTOR shall, distribute the Products in the same quality and under the same packaging in which they have been received from TPPC.

4.3 The DISTRIBUTOR shall, at all time, conduct its distribution activities with due regard and consideration, and without prejudice, to their impact on the other products of TPPC and the latter's relationship with its other distributors.

4.4 The DISTRIBUTOR shall not, without the consent in writing of TPPC, sell or dispose of the Products to any person, firm, or company outside the Territory; nor shall the DISTRIBUTOR knowingly sell or dispose the Product to any person, firm or company residing or carrying on business in the Territory, with a view to the same being sent or exported to any place or country outside the Territory. x x x

4.5 The DISTRIBUTOR shall maintain at all time, an accurate, detailed and complete account of sales and inventories of the Products and other records concerning its dealership of the Products. x x x

4.6 The DISTRIBUTOR shall also promptly provide TPPC with reports and such other necessary market research assistance as may be required by TPPC, from time to time, detailing the activities of competitors in the Territory. x x x

4.7 The DISTRIBUTOR shall provide TPPC an annual sale forecast x x x and upon request of TPPC, the DISTRIBUTOR shall likewise promptly provide TPPC with a quarterly update of the sales forecast before the start of each quarter.

4.8 The DISTRIBUTOR shall promptly provide TPPC with a monthly inventory report, in units and value upon TPPC's request.

4.9 The DISTRIBUTOR's minimum purchases of the Products during the term of this agreement shall be those set forth in Appendix 2. x x x

4.10 The DISTRIBUTOR may carry out an advertising programs for the Products for the purpose of meeting the marketing objectives as shall have been agreed with TPPC x x x.

4.11 TPPC shall, at its discretion, assist the DISTRIBUTOR in any public relations exercise, and provide assistance in the development of promotional materials. x x x

4.12 Title and risk to the products shall automatically pass to the DISTRIBUTOR upon the actual receipt of the Products by the latter

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as materialized by the signature of the DISTRIBUTOR or any of his designates. x x x

4.13 The DISTRIBUTOR shall permit and/or its duly authorized representatives:

a) To enter any plant premises where the Products shall be sold or kept x x x, and to inspect and take inventories of all stocks of the Products held therein and of all processes for marketing carried on therein;

b) To have access to the customer lists of salesmen and sub-distributors of the DISTRIBUTOR, and other accounts of the DISTRIBUTOR relating to the marketing and sale of the Products, take and keep copies thereof, and immediately upon the written request of TPPC, furnish TPPC copies of such list.

4.14 TPPC shall provide all relevant product data sheets for the customer's knowledge of automotive and industrial lubricants, and, at its discretion, provide assistance to develop customers by way of conferences, seminars and on-site demonstrations or conduct trial tests.

4.15 TPPC will assist in the professional development of the DISTRIBUTOR's personnel tasked with the promotion and sale of the Products.

4.16 The Distributor warrants that x x x it shall have the necessary knowledge, facilities, manpower and capability x x x to carry on distribution activities and to sell and distribute the Products.

Lim signed on behalf of Superpro in his capacity as the company President.[21] Following the execution of this new Agreement, Total products that were supposedly intended for Tyreplus were stored inside a warehouse owned by Superpro. It was Superpro which eventually distributed these products for sale to the public.[22]

On February 11, 2000, PSBank sent a Letter of Undertaking to Total informing the latter that Lim had assigned a bank guaranty to Total in the amount of ₱500,000.00 "***to answer***

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[21] *Id.* at 525.

[22] Respondents' Complaint, *rollo*, p. 144.

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for the obligations of Superpro, and its predecessor Tyreplus,"[23] *viz.*:

This is to certify that Mr. EDGARDO LIM x x x has an approved credit line with the bank in the amount of FIVE HUNDRED THOUSAND PESOS ONLY (₱500,000.00) which he is voluntarily assigning in favor of TOTAL PETROLEUM PHILIPPINES CORPORATION, **to answer for the obligation of Superpro Industrial Sales Corporation and its predecessor Tyreplus Sales Corporation**.

You may present this undertaking together with the conformity of Mr. Edgardo M. Lim, in case of their failure to satisfy their contact with your company.

This undertaking is valid until December 31, 2000 unless the credit agreement between Superpro Industrial Sales Corporation is sooner termination. (Emphasis and underscoring supplied)[24]

By letter dated February 26, 2000, Lim again using the letterhead "Superpro Ind. Sales Corp." assured Total:[25] ***"all billings to Tyreplus will be guaranteed payment by Superpro."***[26] On February 26, 2000, still under Superpro's letterhead, Lim manifested to Total, this time, that Superpro is *"**fresh from its creation . . . after dissolving Tyreplus after the resignation of Mr. Tan**."* Lim also enclosed therein five (5) postdated PSBank checks payable to Total in the total amount of ₱447,117.66 under Superpro's account name and account number.[27]

Meantime, on March 9, 2000, Total served on Tyreplus a notice of pre-termination of Distributorship Agreement and demanded payment of ₱472,926.30 for deliveries under purchase orders dated January 4 and 7, 2000.[28] Subsequently, Total also served on Superpro a similar notice of termination of its

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[23] *Id.* at 78.

[24] Record, p. 535.

[25] *Id.* at 539-540.

[26] *Id.* at 541.

[27] *Id.* at 539-540.

[28] *Id.* at 515.

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Distributorship Agreement with the latter.[29] As a result of Total's unexpected termination of these Agreements, Tyreplus allegedly suffered heavy business losses.[30]

By letter dated March 17, 2000, Lim reminded Total that the latter was in fact informed of Tyreplus' change of name to Superpro, and Superpro's assumption of all the deliverables and indebtedness of Tyreplus to Total.[31]

On April 10, 2000, Lim ordered a stop-payment of the PSBank checks he issued to Total supposedly in payment of Tyreplus' obligations to Total.[32]

Tyreplus prayed for damages and attorney's fees against Total, *viz.*: ₱800,000.00 as moral damages; ₱100,000.00 as exemplary damages; ₱1,500,000.00 as actual damages to cover the ₱150,000.00 promotional expenses of Total products plus ₱1.4 million as total purchase price of the vehicles earmarked for the distribution of these products; ₱150,000.00 as attorney's fees, plus ₱1,500.00 per court hearing, and costs of the suit.

In its answer with counterclaim, Total essentially countered:

Tyreplus committed a contractual breach when it assigned its distributorship rights and obligations to Superpro, a separate and distinct corporation, without Total's knowledge and consent.[33] Such unauthorized assignment violated Article 9 of the Agreement, *viz.*:

Article 9 — ASSIGNMENT

This Agreement is personal to the DISTRIBUTOR and shall not be assigned, transferred, sub-contracted or otherwise dealt in by it, directly or indirectly, and in whole or in part, without the prior written approval of TPPC.[34]

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[29] *Rollo*, p. 39.

[30] *Id.* at 38.

[31] Record, p. 149.

[32] *Id.* at 541A.

[33] *Rollo*, p. 41.

[34] Record, p. 496.

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Total was led to initially believe that what took place between Tyreplus and Superpro was only a change of corporate name.[35] But it later realized that in truth these two (2) were distinct entities. This realization dawned on Total only on February 25, 2000 when Lim confirmed in writing the creation of Superpro as a separate and independent corporate entity.[36] Further, Superpro's Certificate of Incorporation, SEC Certificate of Registration, and Business Permit were enclosed in Lim's letter dated February 25, 2000 *viz.*:[37]

> This [is] to give light about the events that surrounds TYREPLUS SALES CORPORATION that eventually caused its closure in name and the **creation of SUPERPRO INDUSTRIAL SALES CORPORATION**.
>
> x x x x x x x x x
>
> Due to the unpleasant events that happened to Tyreplus, decision was reach[ed] to change its business name to SUPERPRO INDUSTRIAL SALES CORPORATION, was organized and approved by the Securities and Exchange Commission on February 8, 2000. **Attached are xerox copies of SEC and BIR registration and business permit**.
>
> x x x x x x x x x
>
> **We further assure you that all billings to TYREPLUS will be guaranteed payment by SUPERPRO.**
>
> x x x x x x x x x
>
> (Emphasis supplied).

On March 9, 2000, Total clarified with respondents that before a new Distributorship Agreement with Superpro may be effected, the previous Agreement with Tyreplus had to be terminated. Consequently, all outstanding purchase orders of Tyreplus were considered immediately due and demandable.[38]

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[35] *Rollo*, p. 15.

[36] Record, p. 293.

[37] *Id.* at 641.

[38] *Id.* at 515.

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In his Letter dated March 17, 2000, however, Lim firmly asserted that Tyreplus merely changed its name to Superpro which had assumed all the indebtedness of Tyreplus,[39] thus:

The dissolution was purely on my own prerogative as being the owner, as you were duly informed of his resignation and the change in business name last January and absorbing all deliveries to TYREPLUS and its indebtedness by SUPERPRO.

Total sent respondents another Letter[40] dated March 30, 2000, emphasizing its belated discovery that Superpro was a separate entity and not merely the new trade name of Tyreplus. It reiterated that there ought to be only one distributor in any given marketing territory. Hence, the Distributorship Agreement with Tyreplus had to be pre-terminated before a new one may be forged with Superpro, *viz.*:

x x x **TPPC found out that SUPERPRO is an entirely new organization** – a new corporation based on SEC. Reg. No. D2000-00129, with the following as stockholders Edgardo M. LIM; x x x. Furthermore, **the Articles of Incorporation, By-Laws, and the rest of the registration documents made no reference or relationship to the "former" TYREPLUS**.

In view of the foregoing, TPPC is constrained to treat SUPERPRO as distinct from and unique to TYREPLUS, the lubricants distributor of TPPC in Southern Mindanao.

Under TPPC's policy on the distributorships, TPPC prefers to have only one distributor in a given marketing territory. **Thus, the distributorship for TYREPLUS had to be pre-terminated before a new distributorship in the territory with a different entity such as SUPERPRO may be effected**.

In any case, the right of TPPC to pre-terminate its distributorship agreement with TYREPLUS is justified by TYREPLUS' breach of certain provisions on said agreements such as Article 9 thereof, which stated, thus:

x x x x x x x x x

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[39] *Id.* at 149.

[40] *Id.* at 48.

Therefore, TYREPLUS cannot assign the distributorship agreement unilaterally to a distinct entity, SUPERPRO. Said unilateral assignments, however, was clearly the intent when TPPC was [made] to believe that SUPERPRO is merely the new trade name of TYREPLUS. (emphasis supplied)

When it subsequently learned that Lim issued stop-payment-order on the PSBank checks, it asked PSBank to pay the amounts in question pursuant to a bank guaranty which Lim obtained from PSBank precisely to pay off Tyreplus' indebtedness to Total. But PSBank informed Total that it cannot release payment because Lim as President of Tyreplus did not signify his conformity to pay Total's claim against Tyreplus.[41] PSBank further clarified, thus:

x x x x x x x x x

For purposes of clarification, we wish to emphasize the in every LOU issued by PS Bank, and as a standard procedure, conformity of the requesting client is always reflected in the LOU, signifying the client's express assent to the contents of the LOU.

x x x x x x x x x

Moreover, it goes without saying that the undertaking submitted by PSBank will only arise once the conditions set forth in the LOUs are fully established – that Tyreplus failed to satisfy its obligation to TPPC **and** that Mr. Lim expressly signified his conformity that Tyreplus indeed failed to settle the amount claimed. **These two are conditions *sine qua non*, and cannot be separated from each other**. (Emphasis supplied)

Lim kept making false representations that Tyreplus merely changed its name to Superpro. Lim also caused the transfer of Tyreplus' rights and obligations to another entity, Superpro, without Total's consent in violation of Article 9 of the Agreement. Worse, Lim did not signify his conformity to PSBank's payment of Tyreplus' obligations to Total, notwithstanding that he himself had obtained this credit line supposedly for the purpose of paying off Tyreplus' obligations to Total.

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[41] *Id.* at 654-656.

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By way of counterclaim, Total prayed that Tyreplus and Lim be held jointly and severally liable for: a) ₱472,926.30 representing Tyreplus' unpaid obligation; b) liquidated damages equivalent to 20% of the principal claim; c) actual damages of ₱300,000.00; d) exemplary damages of ₱50,000.00; and e) attorney's fees.[42]

The Trial Court's Ruling

In its Decision[43] dated November 15, 2005, the trial court ruled that Total validly pre-terminated its Distributorship Agreement with Tyreplus.[44]

The trial court found that Total agreed to enter into a new Distributorship Agreement with Superpro because Lim led it to believe that Tyreplus got dissolved and changed its name to Superpro.[45]

Tyreplus, therefore, was ordered to pay Total ₱472,926.30 representing its unpaid obligations, ₱25,000.00 as liquidated damages, ₱94,585.26 as attorney's fees,[46] plus ₱5,000.00 per hearing, and ₱60,000.00 as actual damages, *viz.*:[47]

WHEREFORE, premises considered, this Court rules in favor of Defendant TOTAL PETROLEUM PHILIPPINES CORPORATION. Let the amount of Four Hundred Seventy-Two Thousand Nine Hundred Twenty-Six and 30/100 (₱472,926.30) covered by a writ of attachment,

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[42] Record, p. 302.

[43] Penned by Judge Jaime V. Quitain, *id.* at 77-88.

[44] *Id.* at 85.

[45] *Id.* at 87.

[46] Record, p. 498; The Commercial Distributorship Agreement states:

Article 18 – Judicial Proceedings

In the event of judicial proceeding to be instituted by TPPC to enforce any of the terms or conditions of this Agreement, the DISTRIBUTOR shall pay TPPC a reasonable compensation for its expenses and charges, including attorney's fees, which shall in no event be less than twenty percent (20%) of the indebtedness then outstanding and unpaid x x x.

[47] *Rollo*, p. 88.

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be released to Defendant TOTAL PETROLEUM PHILIPPINES CORPORATION.

Furthermore, Plaintiffs are ordered to indemnify Defendant the following, to wit:

a. Liquidated Damages in the amount of ₱25,000.00;
b. ₱94,585.26 the sum equivalent of 20% of Defendant's principal claim as attorney's fees, plus ₱5,000.00 per hearing;
c. Actual damages in the amount of ₱60,000.00.

Let attachment bond be released in favor of Defendant.

SO ORDERED.

Under Order dated May 9, 2006, the trial court granted Total's subsequent motion for partial reconsideration, increasing the award of actual damages from ₱60,000.00 to ₱401,308.00 for the advertising and promotional materials delivered to Tyreplus.[48]

The Court of Appeals' Ruling

Both parties appealed. By Decision dated February 29, 2012, the Court of Appeals reversed. It found that Tyreplus did not cease to exist as a corporate entity. For it did not undergo voluntary or involuntary dissolution; nor change its name. There was no amendment in its Articles of Incorporation to that effect. On the other hand, Superpro is an entirely new entity[49] pursuant to its Certificate of Incorporation duly issued by the SEC on February 8, 2000.[50]

The Court of Appeals held that Total was estopped from pre-terminating its Distributorship Agreement with Tyreplus. This is because Tyreplus was actually duly apprised of the creation of Superpro as a new corporation and even furnished copy of Superpro's Certificate of Incorporation. Total therefore

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[48] ₱401,308.00 as actual damages was based on the total amount of the advertising and promotional materials received by Tyreplus evidenced by the Bill of Lading from Solid Shipping Lines Corp., *id.* at 43; Record, p. 652.

[49] *Rollo*, pp. 52-53.

[50] *Id.* at 38.

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knew there was no change of name to speak of but the creation of a distinct corporate entity that was Superpro.[51] But still, Total voluntarily entered into a new Commercial Distributorship Agreement with Superpro, albeit its contract with Tyreplus was still effective.[52]

The Court of Appeals awarded respondents ₱400,000.00 as actual damages,[53] ₱150,000.00 as moral damages, ₱50,000.00 as exemplary damages, and ₱178,000.00 as attorney's fees.[54] On the other hand, it ordered Lim and Tyreplus to pay Total jointly and severally ₱472,962.30, pertaining to its unpaid obligation, thus:

> WHEREFORE, the appeal of plaintiffs is GRANTED and that of defendant is DENIED. Edgardo Lim is hereby granted actual damages in the amount of ₱400,000.00; moral damages in the amount of ₱150,000.00; exemplary damages in the amount of ₱50,000.00; attorney's fees in the amount of ₱178,000.00. Edgardo Lim/Tyreplus is ordered to pay defendants ₱472,962.30.
>
> SO ORDERED.[55]

Under Resolutions[56] dated September 27, 2012, the Court of Appeals denied Total's motion for reconsideration.

The Present Petition

Total now seeks affirmative relief from the Court and repleads its arguments before the trial court and the Court of Appeals.

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[51] *Id.* at 55.

[52] *Id.* at 54.

[53] *Id.* at 58-59.

The Court of Appeals granted actual damages in the total amount of ₱400,000.00 based on ₱150,000.00 as promotional expenses, ₱150,000.00 as temperate damages for the use of vehicles, and ₱100,000.00 for the injury caused to Lim's business standing.

[54] *Id.* at 80.

Included in the CA's grant of ₱178,000.00 attorney's fees were the appearance fees valued at ₱28,000.00.

[55] *Id.* at 80-81.

[56] *Id.* at 8-10.

Total further asserts that Lim should also be held personally liable for transacting in bad faith by misleading it into believing that Tyreplus got dissolved and changed its name to Superpro.[57]

For their part, Lim and Tyreplus aver that Total had no basis in pre-terminating its Distributorship Agreement with Tyreplus. For Total knew full well that Superpro is distinct from Tyreplus, and yet, Total still entered into a new Commercial Distributorship Agreement with Superpro independently of its then existing Agreement with Tyreplus.[58]

Issue

Did the Court of Appeals err when it ruled that Total had no basis in pre-terminating its Distributorship Agreement with Tyreplus?

Ruling

As a rule, the factual findings of the Court of Appeals are binding on the Court, except in the following cases:

(1) when the findings are grounded entirely on speculations, surmises or conjectures; (2) when the inference made is manifestly mistaken, absurd or impossible; (3) when there is grave abuse of discretion; **(4) when the judgment is based on a misapprehension of facts; (5) when the findings of fact are conflicting**; (6) when in making its findings the Court of Appeals went beyond the issues of the case, or its findings are contrary to the admissions of both the appellant and the appellee; **(7) when the findings are contrary to that of the trial court**; (8) when the findings are conclusions without citation of specific evidence on which they are based; (9) when the facts set forth in the petition as well as in the petitioner's main and reply briefs are not disputed by the respondent; **(10) when the findings of fact are premised on the supposed absence of evidence and contradicted by the evidence on record**; or (11) when the Court of Appeals manifestly overlooked certain relevant facts not disputed by the parties, which, if properly considered, would justify a different conclusion.[59]

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[57] *Id.* at 25-26.

[58] *Id.* at 173.

[59] See *Republic v. Barcelon*, G.R. No. 226021, July 24, 2019.

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The exceptions under (1), (2), (4), (5), (7), and (10) apply here. We are thus compelled to re-examine the evidence and re-validate the contradictory factual findings of the trial court and the Court of Appeals.

Foremost, Article 9 of the Commercial Distributorship Agreement between Total and Tyreplus stated that the contract was personal to the distributor, which in this case was Tyreplus, and shall not be assigned, transferred, sub-contracted or otherwise dealt in, directly or indirectly, and in whole or in part, without the prior written approval of Total.[60]

Total claims that Tyreplus transferred its rights and obligations to Superpro, without Total's consent, in violation of Article 9 of the Agreement, thus, the pre-termination of its Agreement with Tyreplus was called for.

Tyreplus and Lim, on the other hand, argue that Total cannot feign ignorance of Superpro's distinct personality at the time it entered into a new Agreement with Superpro independent of its then subsisting Agreement with Tyreplus.

We find for petitioner Total.

Estoppel does not apply to Total

The Court of Appeals held that Total was estopped from pre-terminating its Distributorship Agreement with Tyreplus.[61] Total cannot allegedly claim to have been blindsided by Lim's representations because it was actually apprised of the creation of Superpro as a new corporation and even furnished copy of Superpro's Certificate of Incorporation.[62]

We disagree.

Estoppel arises when one, by his acts, representations, or admissions, or by his silence when he ought to speak out, intentionally or through culpable negligence induces another

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[60] Record, p. 496.

[61] CA Decision dated February 29, 2012, *rollo*, p. 21.

[62] *Id.*

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to believe certain facts to exist and such other rightfully relies and acts on such belief, so that he will be prejudiced if the former is permitted to deny the existence of such facts.[63] The doctrine of estoppel is based upon the grounds of public policy, fair dealing, and good faith, and its purpose is to forbid one to speak against his own act, representations, or commitments to the injury of one to whom they were directed and who reasonably relied thereon.[64]

Total cannot be deemed in estoppel for initially believing in good faith the following representations of Lim as President of both Tyreplus and Superpro, which later turned out to be false. Consider:

a) On January 31, 2000 or barely two (2) months after the execution of the Distributorship Agreement between Total and Tyreplus on December 1, 1999, Lim, using the letterhead of "Superpro Ind. Sales Corp." wrote Total that "Superpro Industrial Sales Corporation" will be the new trade name of Tyreplus Sales Corporation;[65]

b) On February 4, 2000, Lim had a meeting with Total's Marketing Manager Beau Santos, and Total's Sales Executive Gigi Gonzales[66] where Lim reiterated that Tyreplus had changed its name to Superpro;

c) On February 10, 2000, or the day when the new Agreement with Superpro was executed, Lim never retracted his previous assertions that Tyreplus had been dissolved and had a new corporate name Superpro;

d) After the execution of the new Agreement between Total and Superpro, Total products supposedly intended for Tyreplus were stored inside a warehouse owned by Superpro. It was

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[63] See *Philippine National Bank v. Intermediate Appellate Court*, 267 Phil. 720, 727 (1990).

[64] See *Megan Sugar Corp. v. RTC, Br. 68, Dumangas, Iloilo, et al.*, 665 Phil. 245, 255 (2011).

[65] Exhibit "6".

[66] TSN, December 5, 2001, p. 22.

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Superpro which eventually distributed these products for sale to the public;[67]

e) On February 11, 2000, PSBank sent a Letter of Undertaking to Total informing the latter that Lim had secured a bank guaranty in the amount of ₱500,000.00 in favor of Total ***"to answer for the obligations of Superpro, and its predecessor Tyreplus;"***[68]

f) By letter dated February 25, 2000, Lim, again using the letterhead "Superpro Ind. Sales Corp." assured Total that ***"all billings to Tyreplus will be guaranteed payment by Superpro."***[69]

It was these false representations which led Total to enter into a new Agreement with Superpro in lieu of the one it already had with Tyreplus which per Lim's letters and verbal statements had just changed its name to Superpro. But it turned out that Superpro and Tyreplus are, in reality, not one but two (2) separate entities; Lim, acting as President of both companies himself has later confirmed the separate existence of these entities. Before the trial court, the Court of Appeals and this Court, Lim has stood by this confirmation. Notably, Lim's turn around had started only after he had already forged a new Agreement with Total on Superpro's behalf. Obviously, Lim's end goal was to be able to secure from Total two (2) Agreements for each of his two (2) companies in circumvention of Total's "one distributor, one area" business policy. Fortunately for Total, however, it promptly discovered Lim's scheme and wasted no time in effecting the cancellation of both Agreements. Surely, estoppel is a principle of equity to protect an innocent party against a double talking or double acting individual or entity. It is not the other way around.

Surely, when Tyreplus assigned its financial obligations and the distribution and sale of Total products to Superpro, Tyreplus clearly violated the non-transferability clause under Article 2 and Article 9 of the Distributorship Agreement. Again, this

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[67] Respondents' Complaint, *rollo*, p. 144.

[68] *Id.* at 78.

[69] Record, p. 541.

clause is material to the business policy of Total not to allow more than one (1) distributor in the same marketing territory.[70] This contractual breach warranted the revocation or pre-termination of the Agreement.

Liability of Tyreplus' President Edgardo Lim

We now resolve whether Lim should be held personally liable for Tyreplus' obligations in his capacity as its President.

In ***Bank of Commerce v. Nite***,[71] the general rule is that a corporation is invested by law with a personality separate and distinct from the persons composing it. The obligations of a corporation, acting through its directors, officers, and employees, are its own sole liabilities. Therefore, the corporation's directors, officers, or employees are generally not personally liable for the obligations of the corporation.

To hold a director or officer personally liable for corporate obligations, **two requisites** must concur: (1) complainant must allege in the complaint that the director or officer assented to patently unlawful acts of the corporation, or that the officer was guilty of gross negligence or bad faith; and (2) complainant must clearly and convincingly prove such unlawful acts, negligence or bad faith.[72] To hold a director or officer personally liable for debts of the corporation, and thus pierce the veil of corporate fiction, the bad faith or wrongdoing of the director or officer must be **established clearly and convincingly**.[73]

Here, Lim had been the **frontrunner in the transactions** between Total and Tyreplus, and subsequently, Total with Superpro. Lim **categorically identified himself** as the President of Tyreplus and Superpro. Lim **admitted and declared his active participation** in the management and operation of

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[70] *Rollo*, p. 39.

[71] See 764 Phil. 655, 663 (2015).

[72] See *Francisco v. Mallen, Jr.*, 645 Phil. 369 (2010).

[73] *Id.*

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Tyreplus and Superpro, as the President of both companies, *viz.*:

> Q: Now, Mr. Witness, when did you cause the change in the corporate name of Tyreplus to Superpro Industrial Corporation?
>
> A: As I have mentioned in the early statement that after the resignation of Mr. Brigido Tan, after I made personal investigation, **I decided to change the name of Tyreplus to Superpro** and we did it on the early part of January 2000.
>
> x x x x x x x x x
>
> Q: Now, Mr. Witness, when did the Total Petroleum Philippines Corporation know that you change the corporate name of Tyreplus Industrial Sales to Superpro Industrial Sales Corporation?
>
> A: I sent them a letter last January 31, 2000 x x x then we personally discussed x x x that **I am changing the name of Tyreplus to Superpro.** (Emphasis supplied)[74]

Meanwhile, Lim's letter dated March 17, 2000 addressed to Total emphasized that Tyreplus' ***"dissolution was purely on his own prerogative."***[75] Ultimately, Lim as the President of Tyreplus is the **controlling mind** of this company, as Tyreplus had no mind of its own.

In many instances, Lim's oral and written communications to Total led the latter to believe that Tyreplus merely changed its name to Superpro. It turned out to be a mistaken belief but it was entirely sourced from Lim's false representations. The same caused Total to execute a new Agreement with Superpro in lieu of the Agreement earlier forged with Tyreplus which was believed to have already changed its name to Superpro. Days *after* the contract with Superpro was executed, Lim started changing this tone, this time, he claimed that Superpro had actually emerged as a new entity. Not only that. For no valid reason, Lim, on behalf of Tyreplus, ordered a stop-payment on the checks he issued as payment for the obligations of Tyreplus

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[74] TSN, December 5, 2001, pp. 21-22.

[75] Record, p. 149.

to Total. And after Total demanded payment of the obligations of Tyreplus, Lim, on behalf of Tyreplus, instituted the case for damages against Total.

Clearly, Lim dealt in bad faith when he knowingly misled Total into executing the new Agreement with Superpro. Lim falsely declared to Total that Tyreplus' name was merely changed to Superpro, albeit he subsequently asserted that in fact the companies are two (2) distinct and separate. Lim's misuse of Tyreplus as a corporation to perpetuate breach of contractual obligations renders Lim personally liable.

International Academy of Management and Economics v. Litton and Co., Inc.[76] is in point, thus:

> [t]he doctrine of alter ego is based upon the **misuse of a corporation by an individual** for wrongful or inequitable purposes, and in such case the court merely disregards the corporate entity and holds the individual responsible for acts knowingly and intentionally done in the name of the corporation." (Emphasis supplied)

Lim, therefore, should be made liable jointly and severally liable[77] with Tyreplus in the payment of the latter's obligations due to Total.

Monetary awards due to Total

In ***Talampas, Jr. v. Moldex Realty, Inc.***,[78] the Court held that a contracting party's failure, without valid reason, to comply with contractual stipulations constitutes a breach of obligation for which it becomes liable for damages. So must it be.

Article 2199[79] of the *Civil Code* provides that one is entitled to actual damages for such pecuniary loss suffered as duly proved.

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[76] See 822 Phil. 610, 623 (2017).

[77] See *Dutch Movers, Inc., et al. v. Lequin, et al.*, 809 Phil. 438-452 (2017).

[78] See 760 Phil. 632, 646 (2015).

[79] CIVIL CODE, Article 2199 of the Civil Code.Except as provided by law or by stipulation, one is entitled to an adequate compensation only for such pecuniary loss suffered by him as he has duly proved. Such compensation is referred to as actual or compensatory damages.

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Here, Total was able to prove the advertising and promotional materials it delivered to Tyreplus in the amount of ₱401,308.64[80] as evidenced by the bill of lading from Solid Shipping Lines Corporation.[81] Hence, the award of actual damages in the amount of ₱401,308.64 is retained.

As for liquidated damages, Article 2226 of the *Civil Code* states "liquidated damages are those agreed upon by the parties to a contract, to be paid in case of breach thereof." In this case, the Distributorship Agreement between Tyreplus and Total shows no stipulation on liquidated damages to be paid in case of breach thereof. In the absence of stipulation, the award of ₱25,000.00 as liquidated damages should be deleted.

On exemplary damages, Article 2229[82] of the *Civil Code* provides that exemplary or corrective damages may be imposed, by way of example or correction for the public good, in addition to either moral, temperate, liquidated, or compensatory damages. Here, since Tyreplus failed to honor its contract with Total, and considering further the award of actual or compensatory damages to Total, a grant of exemplary damages in the amount of ₱50,000.00 is proper.[83]

As for attorney's fees, suffice it to state that because Total was constrained to litigate to protect its interests,[84] the award

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[80] *Rollo*, p. 58.

[81] *Id.*; Record, p. 652.

[82] CIVIL CODE, Article 2229. Exemplary or corrective damages are imposed, by way of example or correction for the public good, in addition to the moral, temperate, liquidated or compensatory damages.

[83] See *Games and Garments Developers, Inc. v. Allied Banking Corporation*, G.R. No. 181426, July 13, 2015.

[84] See *Jaime Adriano and Legaspi Towers 300, Inc. v. Alberto Lasala and Lourdes Lasala*, G.R. No. 197842, October 9, 2013.

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of attorney's fees in the amount of ₱94,585.26[85] is retained pursuant to Article 2208 of the *Civil Code*.[86]

Finally, records show that Tyreplus indeed failed to pay for the petroleum products it ordered and received from Total. The amount of ₱472,962.30 should therefore be paid to Total as actual damages.[87]

On the application of interest, ***Nacar v. Gallery Frames***[88] decrees that in the absence of express stipulation regarding the interest rate, the twelve percent (12%) interest rate *per annum* stated in ***Eastern Shipping Lines v. Hon. Court of Appeals and Mercantile Insurance Company, Inc.***[89] applies until June 30, 2013. From July 1, 2013, the new interest rate of six percent (6%) *per annum* shall apply, pursuant to BSP-MB Circular No. 799. Thus:

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

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[85] Record, p. 498. Attorney's fees were based on twenty percent (20%) of ₱472,926.30 pursuant to Article 18 of the Commercial Distributorship Agreement between Total and Tyreplus, *viz.*:

Article 18 – Judicial Proceedings

In the event of judicial proceeding to be instituted by TPPC to enforce any of the terms or conditions of this Agreement, the DISTRIBUTOR shall pay TPPC a reasonable compensation for its expenses and charges, including attorney's fee, which shall in no event be less than twenty percent (20%) of the indebtedness then outstanding and unpaid x x x.

[86] CIVIL CODE, Article 2208. In the absence of stipulation, attorney's fees and expenses of litigation, other than judicial costs, cannot be recovered except: (1) When exemplary damages are awarded.

[87] In *Filinvest Land, Inc., et al. v. Backy, et al.*, (697 Phil. 403, 412 [2012]) the Court held that unjust enrichment exists "when a person unjustly retains a benefit to the loss of another, or when a person retains money or property of another against the fundamental principles of justice, equity and good conscience." There is unjust enrichment under Article 22 of the Civil Code when (1) a person is unjustly benefited, and (2) such benefit is derived at the expense of or with damages to another.

[88] See 716 Phil. 267, 281 (2013).

[89] See 304 Phil. 236, 252-254 (1994).

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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:

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 *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 extrajudicially (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.

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.

Applying ***Nacar***, the amount of ₱472,962.30 representing Tyreplus' unpaid obligations to shall earn legal interest of twelve

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percent (12%) *per annum* from March 9, 2000[90] to June 30, 2013; and thereafter, at six percent (6%) *per annum* from July 1, 2013 until finality[91] of the Court's ruling. Further, the total monetary award due to Total shall earn legal interest at six percent (6%) *per annum* from finality of this Decision until fully paid.

ACCORDINGLY, the Decision dated February 29, 2012 of the Court of Appeals in CA-G.R. CV No. 00819-MIN is **REVERSED** and **SET ASIDE**, and a new one rendered, reinstating with modification the Decision dated November 15, 2005 of the Regional Trial Court in Civil Case No. 28102-2000. Tyreplus Industrial Sales, Inc. and Edgardo Lim are **ORDERED** to jointly and severally pay Total Petroleum Philippines Corporation the following:

1) ₱472,962.30 representing the unpaid obligations of Tyreplus plus legal interest of twelve percent (12%) *per annum* from March 9, 2000 until June 30, 2013 and, thereafter, six percent (6%) *per annum* from July 1, 2013 until finality of this Decision;[92]

2) Actual damages of ₱401,308.64;

3) Exemplary damages of ₱50,000.00; and

4) Attorney's fees in the amount of ₱94,585.26.

Respondents Tyreplus Industrial Sales, Inc. and Edgardo Lim shall further pay jointly and severally legal interest on the total monetary award at the rate of six percent (6%) *per annum* from finality of this Decision until fully paid.

SO ORDERED.

Peralta, C.J. (Chairperson), Caguioa, Reyes, Jr., and *Lopez, JJ.*, concur.

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[90] Date when Total extra-judicially demanded payment from Tyreplus per letter dated March 9, 2000; See *Isla v. Estorga*, G.R. No. 233974, July 2, 2018.

[91] See *Isla v. Estorga*, G.R. No. 233974, July 2, 2018.

[92] See *Hun Hyung Park v. Eung Won Choi*, G.R. No. 220826, March 27, 2019, See *Rep. of the Phils. v. Judge Mupas*, 769 Phil. 21 (2015), citing *Eastern Shipping Lines v. Court of Appeals*, 304 Phil. 236 (1994).