



Republic of the Philippines
Supreme Court
Manila

FIRST DIVISION

SPOUSES MARIO and JULIA
GASPAR,

Petitioners,

- versus -

HERMINIO ANGEL E. DISINI,
JR., JOSEPH YU, doing business
under the name and style LEGACY
LENDING INVESTOR and
DIANA SALITA,

Respondents.

G.R. No. 239644

Present:

PERALTA, C.J., Chairperson,
CAGUIOA,
CARANDANG,
ZALAMEDA, and
GAERLAN, JJ.

Promulgated:

FEB 03 2021 *mtf/ah*

X -----X

DECISION

CAGUIOA, J.:

The Case

This is a Petition for Review on *Certiorari*¹ (Petition) filed under Rule 45 of the Rules of Court against the Decision² dated January 12, 2018 (assailed Decision) and Resolution³ dated May 21, 2018 (assailed Resolution) in CA-G.R. CV No. 107441 rendered by the Court of Appeals⁴ (CA).

The assailed Decision and Resolution affirmed with modification the Decision dated April 13, 2016 issued by the Regional Trial Court (RTC) of Manila, Branch 18 in Civil Case No. 06-115408 insofar as it directed petitioners Spouses Mario and Julia Gaspar (Spouses Gaspar) to pay respondent Herminio Angel E. Disini, Jr. (Disini) the amount of ₱760,000.00.

¹ *Rollo*, pp. 11-32, excluding Annexes.

² Id. at 33-39. Penned by Associate Justice Ricardo R. Rosario (now a Member of the Court), with the concurrence of Associate Justices Eduardo B. Peralta, Jr. and Maria Elisa Sempio Diy.

³ Id. at 41-42.

⁴ Special Fifteenth Division and Former Special Fifteenth Division.

The Facts

The CA narrated the facts, as follows:

The property subject of [the] litigation is a year 2000 model, white Mitsubishi Pajero with plate number WVC-555. The subject vehicle, registered in the name of a certain Artemio Marquez (Marquez), was mortgaged by the latter as security for a loan obtained from Legacy Lending Investor (Legacy). Legacy is owned by x x x Joseph Yu (Yu). Marquez failed to pay his loan, leading Legacy to seize the Pajero. To facilitate the disposal of the Pajero, Marquez executed and signed a *Deed of Sale* in blank[,] that is, without the name and details of the buyer.

[Spouses Gaspar] who are engaged in the business of buying and selling second-hand vehicles, purchased the subject Pajero from Legacy for the price of [₱1,000,000.00], as shown by a manager's check for said amount, and a receipt therefor signed by x x x Diana Salita [(Salita), Yu's employee], dated [July 12, 2002.]

x x x Rocky Gaspar (Rocky), son of the Spouses Gaspar, offered the Pajero for sale to [Disini], who agreed to buy it for the total purchase price of [₱1,160,000.00]. On [July 22, 2002], Disini gave a downpayment of [₱50,000.00] duly received by Rocky. On [July 23, 2002], Disini filled in his details and signed the *Deed of Sale* previously executed by [Marquez]. On [July 30, 2002], Disini paid the balance of [₱1,110,000.00], after the Spouses Gaspar obtained a *Motor Vehicle Clearance Certificate*, dated [July 26, 2002], and registered the subject Pajero in the name of Disini on [August 6, 2002.]

About a year later, on [June 30, 2003], the police apprehended the subject Pajero while it was illegally parked in Makati. Further police investigation revealed that the vehicle had been stolen from the Office of the President. It appears that the chassis number had been overlaid with another number through welding in order to avoid identification.

Disini immediately informed the Spouses Gaspar about the confiscation of the subject Pajero, and the latter promised to return the full purchase price that he had paid to them. In turn, the Spouses Gaspar sought reimbursement from [Yu] and Legacy, and the latter gave back [₱150,000.00]. The Spouses Gaspar turned over the [₱150,000.00] to Disini on [July 22, 2003.] On [August 5, 2003], the Spouses Gaspar paid further [₱200,000.00] to Disini, and finally [₱50,000.00] on [December 3, 2003] for a total reimbursement of [₱400,000.00] and leaving an unpaid balance of [₱760,000.00.]

Apart from the [₱150,000.00] initially returned by [Yu] to the Spouses Gaspar, [Yu] failed to reimburse the balance of the purchase price paid by the Spouses Gaspar for the subject Pajero in the amount of [₱850,000.00.]

When written demand failed, Disini filed [a complaint for sum of money with prayer for preliminary attachment (Complaint)] against Rocky and the Spouses Gaspar to collect the unpaid reimbursement of what he paid for the subject Pajero.



In turn, the [Spouses Gaspar] filed a third-party complaint against [Yu] and his employee [Salita] for the unpaid reimbursement of [P850,000.00.]⁵ (Emphasis supplied; emphasis in the original omitted; italics in the original)

After trial, the RTC rendered a Decision directing: (i) Spouses Gaspar to refund the amount of P760,000.00 with legal interest in favor of Disini, and pay the latter attorney's fees in the amount of P50,000.00; (ii) Yu to reimburse Spouses Gaspar the amount of P850,000.00 with legal interest, and to pay the latter attorney's fees also in the amount of P50,000.00.⁶

The RTC dismissed the third-party complaint as against Salita.⁷

Spouses Gaspar and Yu filed separate appeals that were later consolidated by the CA.

For their part, Spouses Gaspar argued that the order directing them to pay Disini attorney's fees is baseless as there was no finding that they acted in bad faith. Further, Spouses Gaspar assailed the dismissal of the third-party complaint against Salita.⁸

On the other hand, Yu and Salita argued that they should not be held liable to reimburse Spouses Gaspar considering that: (i) their implied warranty as sellers does not extend to defects which are apparent and can be ascertained by the buyers after examination; (ii) Spouses Gaspar are engaged in the business of buying and selling cars and must bear the risk involved in the purchase of the subject Pajero following the principle of *caveat emptor*; and (iii) as sellers, Yu and Salita relied on the Certificate of Registration and clearances provided by their mortgagee, Marquez, and should thus be deemed sellers in good faith. Yu and Salita also assailed the order directing them to pay attorney's fees in favor of Spouses Gaspar.⁹

CA proceedings

On January 12, 2018, the CA issued the assailed Decision, the dispositive portion of which reads:

WHEREFORE, the x x x *Decision* dated [April 13, 2016] of the [RTC], Branch 18, Manila, in Civil Case No. 06-115408, for Sum of Money with Prayer for Preliminary Attachment, (1) ordering original defendants [Spouses] Gaspar to refund the amount of [P760,000.00] with legal interest to plaintiff Disini, as well as pay [P50,000.00] as attorney's fees; and (2) ordering third-party defendant [Yu] to reimburse defendants [Spouses] Gaspar the amount of [P850,000.00] with legal interest, and to pay [P50,000.00] as attorney's fees is **AFFIRMED with MODIFICATION in that the award of attorney's fees to Disini is**

⁵ *Rollo*, pp. 34-35.

⁶ As stated in the assailed Decision, *rollo*, pp. 33-34 and 38-39.

⁷ *Id.* at 34.

⁸ See *id.* at 35.

⁹ *Id.* at 35-36.

DELETED. Further, the third-party complaint against [Yu] and [Salita] is ***DISMISSED*** for having been filed out of time. All orders not inconsistent with the foregoing are affirmed.

SO ORDERED.¹⁰ (Additional emphasis supplied; italics in the original)

Foremost, the CA noted that during the course of trial, it was established that Spouses Gaspar promised to return Disini's money in case the title of the subject Pajero is found to be defective. Spouses Gaspar followed through with this promise when they partially returned Disini's payment. However, Spouses Gaspar failed to return the purchase price in full due to lack of funds.¹¹ The CA found that these circumstances show that Spouses Gaspar did not act in bad faith.¹²

However, the CA found that the RTC also erred in ordering Yu to reimburse Spouses Gaspar the amount they returned to Disini, and to pay them attorney's fees.¹³

According to the CA, the sale of the subject Pajero from Yu to Spouses Gaspar gave rise to an implied warranty of title and a concomitant implied warranty against eviction. These implied warranties, in turn, prescribe six (6) months from date of delivery of the thing sold pursuant to Article 1571 of the Civil Code. Here, Spouses Gaspar filed the third-party complaint against Yu and Salita on October 9, 2006, or nearly four (4) years after delivery of the subject Pajero on July 12, 2002. Thus, said third-party complaint was filed out of time.¹⁴

The CA added that in any event, Spouses Gaspar's line of business made it incumbent upon them to thoroughly verify and examine the subject Pajero's registration and documents as against the physical body of the vehicle. Spouses Gaspar ought to have known that the subject Pajero was stolen as they were the ones who secured the Philippine National Police clearances and Certificate of Registration on Disini's behalf.¹⁵

In the assailed Resolution, the CA denied Spouses Gaspar's subsequent motion for partial reconsideration.¹⁶ Spouses Gaspar received a copy of the assailed Resolution on June 5, 2018.¹⁷

On June 19, 2018, Spouses Gaspar filed a Motion for Extension of Time to File Petition for Review on *Certiorari*.¹⁸ There, Spouses Gaspar

¹⁰ Id. at 38-39.

¹¹ Id. at 36.

¹² See id.

¹³ Id. at 38.

¹⁴ Id.

¹⁵ Id.

¹⁶ Id. at 41-42.

¹⁷ Id. at 13, 45.

¹⁸ Id. at 45-50.



prayed for an additional period of thirty (30) days from June 20, 2018, or until July 20, 2018 within which to file their petition for review.¹⁹

This Petition was filed on July 20, 2018.²⁰

Yu and Salita filed their Motion for Additional Time which prayed for an additional period of fifteen (15) days from November 8, 2018, or until November 23, 2018 to file their comment. Yu and Salita filed their Comment²¹ on the last day of the period so requested.²²

On the other hand, Disini filed a Motion for Extension of Time to File Comment.²³ There, Disini requested for an additional period of thirty (30) days from November 4, 2018 or until December 4, 2018 within which to file his comment on the Petition.²⁴ However, Disini failed to file his comment within the requested period.

In its Resolution²⁵ dated August 28, 2019, the Court dispensed with the filing of Disini's comment and ordered Spouses Gaspar to file their Reply to Yu and Salita's Comment.

Spouses Gaspar filed their Reply²⁶ on November 4, 2019.²⁷

In this Petition, Spouses Gaspar argue that the CA misapplied the rule on implied warranties under Article 1561 of the Civil Code. They claim that the warranty against hidden defects pertains to defects in workmanship. Here, the subject Pajero is not defective but rather, stolen.²⁸ Thus, Spouses Gaspar assert that this case does not involve a breach of implied warranties, but rather, a fraudulent sale facilitated by Yu and Salita.²⁹ On this score, they posit that the applicable prescriptive period is ten (10) years, as set forth in Article 1144 of the Civil Code which governs actions based on written contracts.³⁰

Further, Spouses Gaspar contend that the proximate cause of the dispute is Yu and Salita's wanton and careless disregard in the acceptance of the subject Pajero as collateral for Marquez's loan.³¹ They stress that Yu and Salita run a lending company whose business is akin to that of banks and other financial institutions. Thus, they cannot be considered as ordinary mortgagees, as the general rule that a mortgagee need not look beyond the

¹⁹ Id. at 45-46.

²⁰ Id. at 11.

²¹ Id. at 83-99.

²² See id. at 83, 95.

²³ Id. at 72-76.

²⁴ Id. at 73.

²⁵ Id. at 117-118.

²⁶ Id. at 126-133.

²⁷ Id. at 126, 131-132.

²⁸ Id. at 19-20.

²⁹ See id. at 21.

³⁰ Id. at 22.

³¹ Id. at 23.



title does not apply to banks and other financial institutions which are required to exercise extraordinary care and diligence in their operations.³²

The Issues

The issues presented for the Court's resolution are:

1. Whether the CA erred in dismissing the third-party complaint filed by Spouses Gaspar against Yu and Salita; and
2. Whether the CA erred in holding that Yu and Salita are not liable to pay Spouses Gaspar attorney's fees.

The Court's Ruling

As a starting point, it must be emphasized that Spouses Gaspar do not assail their liability to pay Disini the balance of the purchase price of the subject Pajero. Instead, they insist on their right to be reimbursed through the third-party complaint they filed against Yu and Salita.

Section 11, Rule 6 of the Rules of Court details the nature of a third-party complaint, thus:

SEC. 11. *Third, (fourth, etc.)-party complaint.* — A third (fourth, etc.)-party complaint is a claim that a defending party may, with leave of court, file against a person not a party to the action, called the third (fourth, etc.)-party defendant, for contribution, indemnity, subrogation or any other relief, in respect of his opponent's claim.

In *Firestone Tire and Rubber Company of the Philippines v. Tempongko*,³³ the Court expounded on the nature of a third-party complaint:

The third-party complaint, is therefore, a procedural device whereby a "third party" who is neither a party nor privy to the act or deed complained of by the plaintiff, may be brought into the case with leave of court, by the defendant, who acts as third-party plaintiff to enforce against such third-party defendant a right for contribution, indemnity, subrogation or any other relief, in respect of the plaintiff's claim. The third-party complaint is actually independent of and separate and distinct from the plaintiff's complaint. Were it not for this provision of the Rules of Court, it would have to be filed independently and separately from the original complaint by the defendant against the third-party. But the Rules permit defendant to bring in a third-party defendant or so to speak, to litigate his separate cause of action in respect of plaintiff's claim against a third party in the original and principal case with the object of avoiding circuitry of action and unnecessary proliferation of lawsuits and of disposing expeditiously in one litigation the entire subject matter arising from one

³² Id.

³³ No. L-24399, March 28, 1969, 27 SCRA 418.

particular set of facts. x x x When leave to file the third-party complaint is properly granted, the Court renders in effect two judgments in the same case, one on the plaintiff's complaint and the other on the third-party complaint. **When he finds favorably on both complaints, as in this case, he renders judgment on the principal complaint in favor of plaintiff against defendant and renders another judgment on the third-party complaint in favor of defendant as third-party plaintiff, ordering the third-party defendant to reimburse the defendant whatever amount said defendant is ordered to pay plaintiff in the case x x x.**³⁴ (Emphasis supplied)

Here, Spouses Gaspar filed the third-party complaint to ultimately pass on the liability arising from Disini's claim to Yu and Salita by seeking reimbursement from the latter. Specifically, Spouses Gaspar insist that Yu and Salita should be ordered to reimburse ₱850,000.00 with legal interest, representing the balance of the price they paid to the latter for the subject Pajero, as well as attorney's fees.

The crux of the controversy thus centers on two main questions — whether or not Yu and Salita are liable for reimbursement, and, if so, what is the basis of such liability. Once these questions are resolved, the timeliness of Spouses Gaspar's third-party complaint can be determined.

Here, Spouses Gaspar argue that the basis of Yu and Salita's liability is the written "Contract of Sale" (COS) which they entered into.³⁵ On the other hand, Yu denies liability and claims that as seller, he is only liable for the subject Pajero's hidden defects which do not exist in this case.³⁶ He adds that the conditions necessary for the application of the implied warranty against eviction are not present. In any event, Yu further claims that any cause of action that Spouses Gaspar may have had based on said implied warranties have long prescribed.³⁷ In this connection, the Court notes that while the Comment was filed in the name of Yu *and* Salita, none of the allegations and defenses therein specifically pertain to the latter.

The Petition is granted, in part.

The Court finds Yu solely liable to reimburse Spouses Gaspar the unpaid portion of the purchase price of the subject Pajero with legal interest. Yu's liability is anchored on the nullity of the COS he executed with Spouses Gaspar. In addition, Yu is liable to pay Spouses Gaspar attorney's fees as he unjustifiably refused in bad faith to satisfy the latter's valid claim.

Salita, being an employee who merely acted under the direction of Yu, is absolved from liability.

³⁴ Id. at 422-424.

³⁵ See *rollo*, p. 22.

³⁶ Id. at 84.

³⁷ Id. at 85.



The third-party complaint against Yu is based on the nullity of the COS between him and Spouses Gaspar. The third-party complaint was thus timely filed.

The sole document evincing the sale between Spouses Gaspar and Yu is a handwritten document signed by the latter's employee Salita which states:

Received from Mrs. Julia Gaspar the amount of ([P]1,000,000.00) One Million Pesos only[;] [Check No.] 000006319. [Manager's Check] BPI Family Bank x x x, as full payment for 2000 [Mitsubishi] Pajero [with] Motor no. MAA0821, Serial No. PAEV46WGNXB000326, Plate No. WVC-555.³⁸

While this COS is more akin to a receipt and leaves much to be desired, it ostensibly reflects all the elements of a perfected contract of sale, which are: (i) the consent of the contracting parties; (ii) object certain which is the subject matter of the contract (that is, the subject Pajero); and (iii) the cause of the obligation which is established, (that is, the payment of the specified price of ₱1,000,000.00).³⁹

By the contract of sale, one of the contracting parties obligates himself or herself to transfer the ownership of and to deliver a determinate thing, and the other to pay therefor a price certain in money or its equivalent.⁴⁰ In turn, the elements of a valid contract of sale are: (i) consent or meeting of the minds; (ii) determinate subject matter; and (iii) price certain in money or its equivalent.⁴¹ With respect to the second element, it is further required that the thing which is the subject matter of the contract must be licit, and that the vendor must have a right to transfer the ownership thereof at the time it is delivered.⁴²

Here, the object of the COS turned out to be a vehicle stolen from the Office of the President which was immediately confiscated when Disini was cited for illegal parking. As a general rule, the possession of movable property acquired in good faith is equivalent to a title. This general rule, however, does not apply in cases where the owner of said movable property has been unlawfully deprived of the same,⁴³ as in this case where the vehicle subject of the COS had been stolen.

Evidently, Yu had no right to transfer the ownership of the subject Pajero at the time it was delivered to Spouses Gaspar, as **the object of the COS is clearly illicit**. The second element of a valid contract of sale is

³⁸ Id. at 52.

³⁹ See *Firme v. Bukal Enterprises and Development Corporation*, G.R. No. 146608, October 23, 2003, 414 SCRA 190, 206.

⁴⁰ See CIVIL CODE, Art. 1458.

⁴¹ *Manongsong v. Estimo*, G.R. No. 136773, June 25, 2003, 404 SCRA 683, 695.

⁴² See CIVIL CODE, Art. 1459 in relation to Art. 1409.

⁴³ See *id.*, Art. 559.

consequently absent. The COS executed between Yu and Spouses Gaspar is therefore void *ab initio*, pursuant to Article 1409 of the Civil Code, thus:

ART. 1409. The following contracts are inexistent and void from the beginning:

(1) Those whose cause, object or purpose is contrary to law, morals, good customs, public order or public policy;

x x x x

These contracts cannot be ratified. Neither can the right to set up the defense of illegality be waived.

By filing a third-party complaint against Yu for the purpose of seeking reimbursement of the purchase price they had paid for the subject Pajero, Spouses Gaspar effectively sought to declare the COS null and void *ab initio* and *recover* what they had given on account of said void COS. **The third-party complaint thus assumes the nature of an action to declare the inexistence of a contract which does *not* prescribe.**⁴⁴

Contrary to the CA's findings, Yu's liability in this particular case is not hinged on the implied warranties against hidden defects and/or eviction. That Spouses Gaspar's Memorandum before the RTC alleged that Yu can be considered in breach of an implied warranty considering he "sold to [Spouses Gaspar] a vehicle allegedly clean [from] any liens and encumbrances"⁴⁵ is of no moment. To be sure, the implied warranties against hidden defects and eviction are legal concepts with fixed definitions in law.

The implied warranty against hidden defects pertains to defects which render the thing sold unfit for the use for which it is intended, or should diminish its fitness for such use to such an extent that, had the vendee been aware thereof, would not have acquired it or would have given a lower price.⁴⁶ As its nomenclature suggests, hidden defects pertain to imperfections or defects of the object sold. Such is not the case here, where the subject Pajero, albeit stolen, was in working condition, and was in fact being used by Disini for its intended purpose when it was confiscated by the authorities.

On the other hand, a breach of the warranty against eviction presupposes the concurrence of the following requisites: (i) the purchaser has been deprived of the whole or part of the thing sold; (ii) this eviction is by a final judgment; (iii) the basis thereof is by virtue of a right prior to the sale made by the vendor; and (iv) the vendor has been summoned and made co-defendant in the suit for eviction at the instance of the vendee.⁴⁷ Here, Disini was not deprived of possession on the basis of a final judgment. In

⁴⁴ See *id.*, Art. 1410.

⁴⁵ *Rollo*, p. 86.

⁴⁶ *Batalla v. Prudential Bank*, G.R. No. 200676, March 25, 2019, 898 SCRA 193, 205.

⁴⁷ See *Power Commercial and Industrial Corp. v. Court of Appeals*, G.R. No. 119745, June 20, 1997, 274 SCRA 597, 611.



fact, based on the records, it would appear that Disini did not contest the confiscation of the subject Pajero when he was informed that it had been stolen from the Office of the President.

Since none of the foregoing warranties apply, the six-month prescriptive period under Article 1571 of the Civil Code is inapplicable. As the third-party complaint filed by Spouses Gaspar assumes the nature of an action to declare the inexistence of a contract due to its illicit object, said complaint is imprescriptible under Article 1409. The CA thus erred when it dismissed the third-party complaint on the ground of prescription.

Salita cannot be held personally liable as she merely acted for and on behalf of her employer Yu.

While Spouses Gaspar are indeed entitled to reimbursement, only Yu can be held liable for payment therefor. The records confirm that Salita's signature indeed appears on the COS. Nevertheless, Yu himself acknowledges that Salita merely affixed her signature thereon on his behalf, and that only he stands as seller under the COS. This is clear from Yu's allegations in his Comment, thus:

3. It bears emphasis that the seller is responsible for warranty against the hidden defects which the thing sold may have. A hidden defect is one which is unknown or could not have been known to the vendee. Verily, the vendee cannot be made answerable for obvious defects or those which may be visible, or for those which are not visible if the vendee is an expert who, by reason of his trade or profession, should have known them.

4. From the above discussion, **it is clear that Respondent Joseph Yu ("Respondent Yu"), who facilitated the sale of the subject vehicle can be held responsible only for hidden defects. Verily, Respondent Yu cannot be made answerable for obvious defects or those which may be visible, or for those which are not visible if the vendee, such as Petitioner Spouses Mario and Julia Gaspar ("Petitioners"), x x x who, by reason of their trade or profession, should have known them.**

x x x x

13. x x x An immediate review of the pleadings filed by the Petitioners reveals that their cause of action is anchored on the implied warranty found in **their contract of sale with [Respondent Yu].**

x x x x

53. **Respondent Yu is a seller in good faith.** It must be remembered that good faith is always presumed and upon him who alleges bad faith rests the burden of proof.⁴⁸ (Emphasis supplied)

Clearly, Salita transacted with Spouses Gaspar solely upon the direction and on behalf of Yu, her employer. Accordingly, Salita must be absolved from liability in this case.

⁴⁸ Rollo, pp. 84, 86 and 94.

Yu is liable for attorney's fees.

Article 2208 of the Civil Code specifies the instances when attorney's fees may be awarded, thus:

ART. 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;
- (2) When the defendant's act or omission has compelled the plaintiff to litigate with third persons or to incur expenses to protect his interest;
- (3) In criminal cases of malicious prosecution against the plaintiff;
- (4) In case of a clearly unfounded civil action or proceeding against the plaintiff;
- (5) **Where the defendant acted in gross and evident bad faith in refusing to satisfy the plaintiff's plainly valid, just and demandable claim;**
- (6) In actions for legal support;
- (7) In actions for the recovery of wages of household helpers, laborers and skilled workers;
- (8) In actions for indemnity under workmen's compensation and employer's liability laws;
- (9) In a separate civil action to recover civil liability arising from a crime;
- (10) When at least double judicial costs are awarded;
- (11) In any other case where the court deems it just and equitable that attorney's fees and expenses of litigation should be recovered.

In all cases, the attorney's fees and expenses of litigation must be reasonable. (Emphasis supplied)

To recall, Spouses Gaspar reimbursed Disini the total amount of ₱400,000.00 upon the latter's demand. This amount consisted of the ₱150,000.00 which Yu reimbursed to Spouses Gaspar, and ₱250,000.00 from the latter's own funds.⁴⁹

Yu's initial payment of ₱150,000.00 clearly indicates that he recognized the validity of Spouses Gaspar's claim for reimbursement. However, Yu decided to withhold further reimbursement for reasons unknown to the Court. Consequently, Spouses Gaspar were constrained to

⁴⁹ Id. at 34-35.



pay Disini out of their own pocket, and were later exposed to litigation in view of their failure to satisfy the remaining balance of ₱760,000.00 due to lack of funds.

It bears stressing that the Pajero had been sourced from Marquez, Yu's debtor. Good faith should have thus impelled Yu to reimburse Spouses Gaspar the full amount which they paid and seek redress from Marquez, the subject Pajero's supposed original owner. Instead of doing so, Yu withheld further reimbursement despite his earlier recognition of Spouses Gaspar's valid claim. Such unjustified refusal to satisfy Spouses Gaspar's valid claim demonstrates Yu's gross and evident bad faith. On this basis, the Court finds the award of attorney's fees in favor of Spouses Gaspar proper.

WHEREFORE, premises considered, the Petition is **GRANTED IN PART**. The Decision dated January 12, 2018 and Resolution dated May 21, 2018 issued by the Court of Appeals in CA-G.R. CV No. 107441 are **REVERSED and SET ASIDE**.

The Decision dated April 13, 2016 of the Regional Trial Court of Manila, Branch 18 in Civil Case No. 06-115408 is hereby **REINSTATED**, insofar as it directs the following:

- (i) Petitioners Spouses Mario and Julia Gaspar (Spouses Gaspar) to pay respondent Herminio Angel E. Disini, Jr. (Disini) the amount of ₱760,000.00 with legal interest at the rate of six percent (6%) *per annum*, computed from the date of filing of Disini's Complaint for Sum of Money⁵⁰ until full payment;
- (ii) Respondent Joseph Yu (Yu) to pay petitioners Spouses Gaspar the amount of ₱850,000.00 with legal interest at the rate of six percent (6%) *per annum*, computed from the date of filing of the latter's third-party complaint on October 9, 2006 until full payment; and
- (iii) Respondent Yu to pay petitioners Spouses Gaspar attorney's fees in the amount of ₱50,000.00 with legal interest at the rate of six percent (6%) *per annum* from finality of this Decision until full payment.

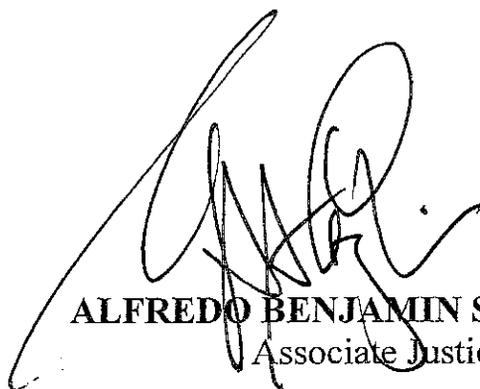
The dismissal of the third-party complaint filed by petitioners Spouses Gaspar against respondent **DIANA SALITA** is **AFFIRMED**.

The award of attorney's fees in favor of respondent Disini is **DELETED**.

⁵⁰ Date of filing cannot be ascertained from the records.



SO ORDERED.



ALFREDO BENJAMIN S. CAGUIOA
Associate Justice

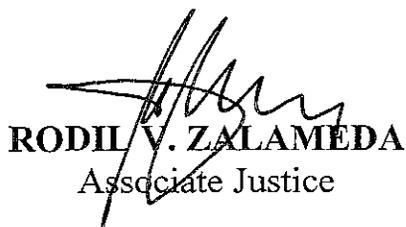
WE CONCUR:



DIOSDADO M. PERALTA
Chief Justice
Chairperson



ROSMARID. CARANDANG
Associate Justice



RODIL V. ZALAMEDA
Associate Justice



SAMUEL H. GAERLAN
Associate Justice

CERTIFICATION

Pursuant to Section 13, Article VIII of the 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.



DIOSDADO M. PERALTA
Chief Justice