



Republic of the Philippines
Supreme Court
Manila

SUPREME COURT OF THE PHILIPPINES
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FIRST DIVISION

NOEL M. ODRADA,

Petitioners,

G.R. No. 205515

Present:

- versus -

PERALTA, C.J., *Chairperson*,
CAGUIOA, *Working Chairperson*,
REYES, J. JR.,
LAZARO-JAVIER, and
LOPEZ, JJ.

**VIRGILIO LAZARO AND
GEORGE ASENIERO**

Respondent.

Promulgated:

JAN 20 2020 *mtbaki*

X ----- X

DECISION

REYES, J. JR., J.:

Before the Court is a petition for review on *certiorari* under Rule 45 of the Rules of Court seeking to reverse and set aside the July 25, 2012 Decision¹ and January 21, 2013 Resolution² of the Court of Appeals (CA) in CA-G.R. CV No. 96154, which affirmed with modification the April 24, 2009 Decision³ of the Regional Trial Court, Branch 22, Imus, Cavite (RTC).

Version of the petitioner

Petitioner Noel M. Odrada (Odrada) is the registered owner of a black Range Rover under Certificate of Registration (CR) No. 1188065-4. He bought it from Roberto S. Basa (Basa), the previous registered owner of the motor vehicle, for ₱1.2 Million. On December 4, 2003, Odrada arranged

¹ Penned by Associate Justice Priscilla J. Baltazar-Padilla, with Associate Justices Rosalinda Asuncion-Vicente and Agnes Reyes-Carpio, concurring; *rollo*, pp. 32-49.

² Id. at 49-52.

³ Penned by Judge Cesar A. Mangrobang; id. at 240-255.

for an exchange of motor vehicle with a certain Alfonso De Leon (De Leon) where the latter took the Range Rover for a test drive. At around 6:00 p.m. De Leon was about to drop Odrada's driver at his office when Odrada suddenly heard successive gun shots nearby. After investigating what had happened, he learned that his motor vehicle had been shot by personnel of the Philippine National Police Eastern Police District (PNP-EPD).⁴

Because of the incident, Odrada learned that respondent George Aseniero (Aseniero), claiming to be the owner of the Ranger Rover, had reported to the Anti-Carnapping Unit of the PNP-EPD (PNP-EPD-ANCAR) that the said motor vehicle had been stolen. As a result, respondent Virgilio Lazaro (Lazaro), head of the PNP-EPD-ANCAR, issued a flash alarm on November 14, 2003. Thereafter, another flash alarm was issued on December 4, 2003 after the PNP-EPD-ANCAR received information that the Range Rover was spotted at Auto Camp near Ortigas Avenue.⁵

Due to the shooting incident, Odrada's Range Rover was considerably damaged and he discovered that the motor vehicle sustained 16 bullet holes. On top of the ₱300,000.00 estimated cost of repair, he also lost income of the same amount, which he would have earned had the transaction with De Leon pushed through.⁶ As a result, he filed a Complaint for Damages⁷ against respondents.

Version of the Respondents

In their Answer with Compulsory Counterclaims,⁸ respondents alleged that:

Sometime in February 2003, William Joseph Rosmarino (Rosmarino) acquired the Range Rover from Eagle Ridge as payment for the services he rendered to the latter. Eagle Ridge then made arrangements with Transmix Builders and Construction, Inc. (Transmix) to give the said motor vehicle to Rosmarino, who in turn placed it on display at *Kotse Pilipinas*. Through Jose Pueo (Pueo), manager of *Kotse Pilipinas*, Aseniero was able to buy the Range Rover for ₱1.2 Million. In order to facilitate the transaction, Rosmarino requested Transmix to transfer the ownership of the Range Rover directly to Aseniero.⁹

On November 5, 2003, Pueo called Aseniero and offered to take the Range Rover to the Land Transportation Office (LTO) for registration but the latter was hesitant as the vehicle was being mechanically serviced. Pueo

⁴ Id. at 5-6.

⁵ Id. at 6.

⁶ Id. at 6-7.

⁷ Id. at 56-63.

⁸ Id. at 228-232.

⁹ Id. at 35.

was able to persuade him by telling him that if the Range Rover would not be registered on the same day, he would again go through the entire process of securing the necessary clearances to register the motor vehicle. However, after getting the Range Rover from the mechanic, Pueo brought the car to Oscar Tan (Tan), Pueo's business colleague in Kotse Pilipinas, to serve as collateral for the ₱700,000.00 loan the former obtained from the latter. The following day, Aseniero tried to call Pueo to ask about the car but the latter could no longer be reached by phone and was also not in his office.¹⁰

Thereafter, Aseniero went to the LTO to ask for a hold order where he found that the Range Rover was already registered in Odrada's name. He also discovered that the said motor vehicle was allegedly sold by Transmix to Basa, who eventually sold the same to Odrada. Aseniero confronted Transmix about the purported transaction but the latter denied having sold the car to Basa and disavowed the Deed of Sale covering the sale. Transmix thereafter executed a Deed of Confirmation of Sale in Aseniero's favor attesting to the fact that the Range Rover was only sold to him.¹¹

Then, Aseniero went to the Traffic Management Group (TMG), Camp Crame to present the Deed of Sale and Confirmation of Deed of Sale Transmix had executed in his favor to prove ownership over the Range Rover. On the bases of these documents, the TMG issued a request for an alarm watch list for the said car.¹²

As such, respondents prayed that Odrada's complaint be dismissed and that he be ordered to pay exemplary damages in the amount of ₱100,000.00, moral damages in the amounts of ₱1 Million and ₱500,000.00 for Arsenio and Lazaro respectively, attorneys fees, and costs of suit.

RTC Decision

In its April 24, 2009 Decision, the RTC ruled in respondents' favor. The trial court found that respondents were able to prove that Aseniero bought the Range Rover from Transmix through Pueo. It highlighted that Transmix executed a Deed of Confirmation of Sale acknowledging that it had sold the said motor vehicle to Aseniero.

Further, the RTC noted that respondents presented testimonial and documentary evidence detailing the manner and nature of the payment and sale of the Range Rover. On the other hand, the trial court had found the transaction between Odrada and Basa to be dubious and irregular. It explained that the Deed of Sale between Odrada and Basa was never identified in court and that the latter never appeared to testify regarding the

¹⁰ Id. at 35-36.

¹¹ Id. at 36.

¹² Id. at 37.

matter. The trial court added that Odrada failed to prove that Basa had validly acquired the motor vehicle from Transmix. The RTC surmised that Odrada ultimately got hold of the motor vehicle through a series of transactions which emanated from Pueo's improper taking of the motor vehicle. Lastly, the trial court ruled that respondents were entitled to moral and exemplary damages. The RTC disposed:

WHEREFORE, premises considered, judgment is hereby rendered dismissing this case against defendants GEORGE ASENIERO and VIRGILIO LAZARO.

The Court also adjudged plaintiff Noel Odrada:

1. To return to defendant Aseniero the Black Range Rover 4.6 HSE with Plate No. URS-812, if he will accept the same or to pay or indemnify George Aseniero the actual value of the car in the amount of ONE MILLION TWO HUNDRED THOUSAND PESOS (Ph[P] 1,200,000.00) with interest thereon at the rate of 12% percent (sic) per annum computed from the time possession of (sic) subject car was taken from him on November 5, 2003 until the same is fully paid;
2. To pay damages to both defendants as follows;
 - a) GEORGE ASENIERO – PHP 1,000,000.00 as moral damages and Php 100,000.00 as exemplary damages, and,
 - b) VIRGILIO LAZARO – Php 200,000.00 as moral damages and Php 100,000.00 as exemplary damages.
3. Attorney's fees – Php 100,000.00 plus Php3,000.00 as appearance fee per hearing.
4. Costs of suit.

SO ORDERED.¹³

Undeterred, Odrada appealed to the CA.

CA Decision

In its July 25, 2012 Decision,¹⁴ the CA affirmed the RTC decision but modified the amount of moral and exemplary damages awarded. The appellate court agreed that respondents were able to sufficiently prove that Aseniero was the rightful owner of the Range Rover. It noted that Aseniero

¹³ Id. at 254-255.

¹⁴ Supra note 1.

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gave a detailed and straight forward account of how he purchased the said motor vehicle from Transmix complete with supporting documents on the transfer of ownership and payments made thereon. The CA added that the sale between Transmix and Aseniero was confirmed by virtue of the Deed of Confirmation of Sale, which was identified by Rosmarino in open court.

On the other hand, the appellate court pointed out that Odrada merely presented documents showing that the Range Rover was registered in his name. It expounded that the Deeds of Sale showing the transfer of the motor vehicle from Transmix to Basa, from Basa to him were never identified in court. The CA highlighted that Odrada's claim that Basa bought the Range Rover from Transmix was negated by the fact that the latter had affirmed that it had sold the motor vehicle only to Aseniero.

Further, the appellate court negated Odrada's claim that he was a buyer in good faith. It expounded that he failed to prove that the Range Rover was acquired for consideration from Transmix. The CA also averred that Odrada's claim of good faith is likewise negated by the fact that while the Deed of Sale between Transmix and Basa was executed on September 4, 2003, the vehicle was registered in Basa's name only on November 21, 2003 or after the Range Rover was taken from Aseniero's possession by Pueo. In addition, the CA highlighted that the successive transfer of ownership of the motor vehicle revolved around Pueo, Tan, Basa, and Odrada, who were all colleagues sharing the same business address and rent a car slots at Kotse Pilipinas. As such, the appellate court posited that it was very unlikely that Odrada would not have any knowledge or information concerning irregularities over the sale of the said motor vehicle.

Meanwhile, the CA agreed that respondents were entitled to moral and exemplary damages as it found that Odrada's complaint for damages was merely an afterthought on the part of Odrada and was merely meant to harass respondents. The appellate court reasoned that if Odrada was truly a victim in this case, he should have filed a case against Basa as the one who sold the motor vehicle. Nevertheless, the CA reduced the award of moral and exemplary damages for being exorbitant. Thus, it ruled:

WHEREFORE, the appealed Decision of the Regional Trial Court of Imus, Cavite in Civil Case No. 0021-04 dated April 24, 2009 is **AFFIRMED with MODIFICATION**. Plaintiff-appellant Noel M. Odrada is ordered to pay defendant-appellee George Aseniero, as follows: [P]300,000.00 as moral damages and [P]50,000.00 as exemplary damages and defendant-appellee Virgilio Lazaro, [P]100,000.00 as moral damages and [P]50,000.00 as exemplary damages. The award of attorney's fees is hereby **DELETED**.



SO ORDERED.¹⁵

Aggrieved, Odrada moved for reconsideration but it was denied by the CA in its January 21, 2013 Resolution.

Hence, this present petition, raising the following:

Issues**I**

WHETHER ODRADA IS THE LAWFUL OWNER OF THE BLACK RANGE ROVER IN QUESTION; AND

II

WHETHER RESPONDENTS ARE ENTITLED TO MORAL AND EXEMPLARY DAMAGES.

Odrada argues that he should have been accorded the presumption that he owned the Range Rover in good faith considering that he was able to establish that he had bought the said motor vehicle from Basa, who in turn had acquired the same from Transmix. He explains that he had no actual or constructive notice that the Range Rover was stolen. Odrada highlights that he had secured a clearance from the PNP that the Range Rover was not listed as stolen before he purchased the same from Basa. To bolster his claim of ownership, he points out that he is the registered owner of the Range Rover pursuant to a CR issued by the LTO.

Odrada further assails that he should not be held liable to pay moral and exemplary damages because he had legal title and possession of the Range Rover. On the contrary, he believes that he should be compensated with moral and exemplary damages on account of respondents' act of reporting the motor vehicle as stolen and the arbitrary shooting of the motor vehicle on December 4, 2003. In particular, Odrada laments that Aseniero, in spite the absence of proof that the vehicle was stolen, had maliciously reported it to be so with Lazaro. In addition, he bewails that Lazaro had failed to comply with the Rules on Engagement when the Range Rover was fired upon by the police officers and that he should have resorted to judicial processes knowing fully well that there was a dispute as to the car's ownership.

In their Comment¹⁶ dated June 5, 2013, respondents reiterated the CA's discussion of the issues and merely stated that Odrada had failed to

¹⁵ Id. at 49.

¹⁶ Id. at 310-321.

show that the appellate court committed reversible error in the challenged decision.

In his Reply¹⁷ dated March 28, 2014, Odrada reiterated that he had established that he was an innocent purchaser in good faith and for value. He emphasized that he was able to show that he had a valid CR under his name and that it was coupled with the actual possession of the motor vehicle. Odrada lamented that the CA failed to consider the presumption of lawful ownership in his favor. He bewailed that he exercised due diligence before purchasing the Range Rover from Basa as evidenced by the fact that he checked the registration papers of the said motor vehicle and had it cleared before the PNP.

In their respective Memoranda,¹⁸ the parties reiterated their positions and the arguments raised in their Comment and Reply.

The Court's Ruling

The petition is partly meritorious.

Central to the resolution of this case is the issue of ownership of the Range Rover. On the one hand, Odrada insists that he is the rightful owner of the motor vehicle having purchased it from Basa. In addition, he notes that he is both the registered owner and actual possessor of the motor vehicle.

On the other hand, Aseniero asserts that he is the lawful owner of the Range Rover. He assails that he was unjustly deprived of his possession of the motor vehicle when Pueo, under false pretenses, took possession thereof and which eventually led to Odrada buying the said vehicle from Basa.

After a careful perusal of the records, the Court finds that the courts *a quo* correctly ruled in favor of Aseniero and adjudging him to be the lawful owner of the motor vehicle.

It is true that Odrada is the registered owner of the Range Rover by virtue of a CR issued by the LTO in his name. The CR in Odrada's name created a strong presumption that he is the owner of the motor vehicle indicated therein.¹⁹ No matter how strong the presumption, it would still not amount to a conclusive proof of ownership. In other words, while Odrada enjoys the presumption of ownership by virtue of the CR in his name, such presumption may be overcome by controverting evidence.

¹⁷ Id. at 342-348.

¹⁸ Id. at 363-387 and 409-425.

¹⁹ *Amante v. Serwelas*, 508 Phil. 344, 349 (2005).

According to Odrada, he acquired the Range Rover from Basa, who in turn had acquired the same from Transmix. As proof of the transmission of ownership from Transmix until ultimately to Odrada, he presented the September 4, 2003 Deed of Sale²⁰ between Transmix and Basa, and the November 25, 2003 Deed of Sale²¹ between Basa and him. Nevertheless, as pointed out by the courts *a quo*, Odrada never presented Basa to testify in court and to identify the Deed of Sale between Transmix and the latter.

While Odrada may have presented a notarized Deed of Sale between Basa and Transmix, the said document is of little value in proving that a sale had occurred considering that none of the parties thereto testified in court and identified the said document. It is true that the act of notarization converts a private document to a public document making it admissible in evidence without proof of its authenticity.²² In *Almeda v. Heirs of Ponciano Almeda*,²³ the Court explained that a notarized document enjoys a presumption that it was duly executed by the parties, to wit:

A notarized Deed of Absolute Sale has in its favor the presumption of regularity, and it carries the evidentiary weight conferred upon it with respect to its due execution. It is admissible in evidence without further proof of its authenticity and is entitled to full faith and credit upon its face. Thus, a notarial document must be sustained in full force and effect so long as he who impugns it does not present strong, complete and conclusive proof of its falsity or nullity on account of some flaws or defects.

Absent evidence of falsity so clear, strong and convincing, and not merely preponderant, the presumption of regularity must be upheld. The burden of proof to overcome the presumption of due execution of a notarial document lies on the party contesting the same. (Citations omitted)

The presumption of regularity accorded to notarized documents is not conclusive as it can be refuted by clear and convincing evidence.²⁴ In the present case, respondents had presented clear and convincing evidence to overcome the presumption of regularity of the Deed of Sale between Basa and Transmix.

First, there was the November 5, 2003 Deed of Sale between Transmix and Aseniero whereby the latter had bought the Range Rover for ₱1.2 Million. *Second*, the November 27, 2003 Deed of Confirmation of Sale acknowledged the transaction between Transmix and Aseniero. It is noteworthy that the said documents were likewise notarized. In addition, Rosmarino testified in court to identify the Deed of Confirmation of Sale

²⁰ *Rollo*, p. 154.

²¹ *Id.* at 84.

²² *Heirs of Spouses Liwagon v. Heirs of Spouses Liwagon*, 748 Phil. 675, 686 (2014).

²³ G.R. No. 194189, September 14, 2017, 839 SCRA 630-644.

²⁴ *Tortona v. Gregorio*, G.R. No. 202612, January 17, 2018.

and to narrate the circumstances surrounding the sale between Transmix and Aseniero.

Thus, the courts *a quo* correctly ruled that the evidence on record tilted in favor of Aseniero's claim of ownership. Between Odrada and Aseniero, it was the latter who was able to prove a clear and consistent transmission of ownership from Transmix as the original owner of the motor vehicle. Odrada failed to establish that Basa had validly acquired the motor vehicle from Transmix. On the other hand, Aseniero had sufficiently shown that Transmix had only sold the motor vehicle to him. Consequently, even if Odrada may have acquired possession over the property, Aseniero may still recover the same as he was unlawfully deprived of its possession.²⁵

*Ownership belongs to the
first possessor in good
faith*

Even assuming that respondents failed to overcome the presumption of regularity accorded to the Deed of Sale between Basa and Transmix, ownership over the Range Rover would still rest with Aseniero. Such scenario would amount to a double sale and the rules on double sale would apply.

The rule on double sale is provided in Article 1544 of the Civil Code. It reads:

ARTICLE 1544. If the same thing should have been sold to different vendees, **the ownership shall be transferred to the person who may have first taken possession thereof in good faith, if it should be movable property.**

Should it be immovable property, the ownership shall belong to the person acquiring it who in good faith first recorded it in the Registry of Property.

Should there be no inscription, the ownership shall pertain to the person who in good faith was first in the possession; and, in the absence thereof, to the person who presents the oldest title, provided there is good faith. (Emphasis and underscoring supplied)

It is readily apparent that the rules concerning double sale of movable properties differ from that of immovable properties. In double sale of immovable sale, the law provides for a three-pronged approach in

²⁵ Article 559 of the Civil Code. The possession of movable property acquired in good faith is equivalent to a title. Nevertheless, one who has lost any movable or has been unlawfully deprived thereof, may recover it from the person in possession of the same.

If the possessor of a movable lost or which the owner has been unlawfully deprived, has acquired it in good faith at a public sale, the owner cannot obtain its return without reimbursing the price paid therefor.

determining ownership, to wit: (1) to the person acquiring it who in good faith first recorded it in the Registry of Property; (2) in default thereof, to the person who in good faith was first in possession; and (3) in default thereof, to the person who presents the oldest title, provided there is good faith.²⁶ On the other hand, in case of double sale of a movable property, ownership is simply transferred to the first who may have taken possession thereof in good faith. Since the present case involves a sale of a motor vehicle, its ownership should then belong to the first possessor in good faith.

The Deed of Sale between Basa and Transmix was executed on September 4, 2003. On the other hand, the Deed of Sale between Transmix and Aseniero was executed on November 5, 2003. While the Deed of Sale between Basa and Transmix bore an earlier date, there is no evidence to sufficiently establish when Basa had actually possessed the Range Rover. It must be remembered that Basa never appeared in court to testify on the circumstances of the purchase of the motor vehicle and when he acquired possession thereto. The execution of the deed of sale alone did not transfer the ownership of the motor vehicle from Transmix to Basa because ownership over movable property is transferred by delivery and not merely by contract.²⁷

In contrast, without any direct testimonial or documentary evidence to establish when Basa actually acquired possession of the property, the closest piece of evidence which could somehow indicate that Basa already possessed the motor vehicle would be the Deed of Sale between Basa and Odrada. Even if it were to be presumed that Basa had possession of the Range Rover at the time it was sold to Odrada, it would still be after Aseniero had actual possession of the Range Rover. Further, there is no evidence to show that Aseniero was aware of the September 4, 2003 Deed of Sale between Basa and Transmix. As such, it is clear that it was Aseniero who first possessed the Range Rover in good faith.

Consequently, ownership over the motor vehicle rightfully belongs to Aseniero as the first possessor in good faith. Since Basa did not acquire ownership over the Range Rover, he did not transmit any rights when he sold the same to Odrada. This is in keeping with the principle that one cannot give what one does not have — *nemo dat quod non habet*.²⁸

As the lawful owner of the Range Rover, Aseniero cannot be faulted in reporting the said motor vehicle as stolen after he was unjustly deprived of its possession. It is but a reaction from an owner who has been divested of possession of his property. Aseniero acted well within his rights in initiating

²⁶ *Rosaroso v. Soria*, 711 Phil. 644, 658 (2013).

²⁷ *Aznar v. Yapdiangco*, 121 Phil. 458, 463 (1965).

²⁸ *Daclag v. Macahilig*, 582 Phil. 138, 153 (2008).

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the posting of a Flash Report with the PNP in order to recover the Range Rover taken from him.

Basis of moral and exemplary damages must be sufficiently proven

Nevertheless, the Court disagrees with the courts *a quo* in finding Odrada liable to pay moral and exemplary damages.

In order for moral damages to be awarded, the following circumstances must concur: (1) there is an injury, whether physical, mental or psychological, clearly sustained by the claimant; (2) there is a culpable act or omission factually established; (3) the wrongful act or omission of the defendant is the proximate cause of the injury sustained by the claimant; and (4) the award of damages is predicated on any of the cases stated in Article 2219.²⁹

Under Article 2219 of the Civil Code, Moral Damages may be recovered in the following cases:

- (1) A criminal offense resulting in physical injuries;
- (2) Quasi-delicts causing physical injuries;
- (3) Seduction, abduction, rape, or other lascivious acts;
- (4) Adultery or concubinage;
- (5) Illegal or arbitrary detention or arrest;
- (6) Illegal search;
- (7) Libel, slander or any other form of defamation;
- (8) Malicious prosecution;
- (9) Acts mentioned in article 309;
- (10) Acts and actions referred to in Articles 21, 26, 27, 28, 29, 30, 32, 34, and 35.

The parents of the female seduced, abducted, raped, or abused, referred to in No. 3 of this article, may also recover moral damages.

The spouse, descendants, ascendants, and brothers and sisters may bring the action mentioned in No. 9 of this article, in the order named.

On the other hand, exemplary damages are imposed by way of example or correction for the public good.³⁰ It is awarded when the defendant has acted with gross negligence in *quasi-delict* cases,³¹ or when

²⁹ *Delos Santos v. Papa*, 605 Phil. 460, 467 (2009).

³⁰ CIVIL CODE, Article 2229.

³¹ *Id.* at Article 2231.

the defendant in contracts or *quasi*-contracts cases has acted in a wanton, fraudulent, reckless, oppressive or malevolent manner.³² In any case, the award of exemplary damages presupposes that the plaintiff is entitled to moral, temperate or compensatory damages.³³ Exemplary damages are to be given only in addition to moral damages such that complainants must first establish a clear right to moral damages before they are deemed entitled to exemplary damages.³⁴

In its April 24, 2009 Decision, the RTC, without specifically stating its reasons in reaching such conclusion, awarded moral and exemplary damages in respondents' favor. Meanwhile, the CA reduced the amount awarded for moral and exemplary damages but still affirmed the grant thereof. The appellate court reasoned that Odrada's baseless filing of the complaint for damages against respondents had cause them embarrassment and humiliation as its filing was merely in retaliation for the criminal complaint of carnapping Aseniero had filed against Odrada, Pueo, Tan and Basa.

In *Delos Santos v. Papa*,³⁵ the Court elucidated that the mere filing of an unmeritorious complaint does not *ipso facto* warrant the award of moral damages, to wit:

Assuming *arguendo* that the petitioner's case lacked merit, the award of moral damages is not a legal consequence that automatically followed. Moral damages are only awarded if the basis therefor, as provided in the law quoted above, is duly established. In the present case, the ground the respondents invoked and failed to establish is malicious prosecution. *Crystal v. Bank of the Philippine Islands* is instructive on this point, as it tells us that the law never intended to impose a penalty on the right to litigate so that the filing of an unfounded suit does not automatically entitle the defendant to moral damages:

The spouses' complaint against BPI proved to be unfounded, but it does not automatically entitle BPI to moral damages. Although the institution of a clearly unfounded civil suit can at times be a legal justification for an award of attorney's fees, such filing, however, has almost invariably been held not to be a ground for an award of moral damages. The rationale for the rule is that the law could not have meant to impose a penalty on the right to litigate. ***Otherwise, moral damages must every time be awarded in favor of the prevailing defendant against an unsuccessful plaintiff.***

Given this conclusion, we find it unnecessary to rule on whether the respondents indeed suffered injuries for which they should be awarded moral damages. (Emphasis and italics in the original; citation omitted)

³² Id. at Article 2232.

³³ Id. at Article 2234.

³⁴ *Interport Resources Corporation v. Securities Specialist, Inc.*, 786 Phil. 275, 289-290 (2016).

³⁵ *Supra* note 29.

In other words, the mere fact that the courts *a quo* ultimately dismissed Odrada's complaint and found Aseniero to be the lawful owner of the Range Rover would not automatically entitle the latter to recover moral damages from the former. The same would not necessarily amount to a malicious prosecution where moral damages may be recovered.

Malicious prosecution, for purposes of recovering moral damages, has been defined as "an action for damages brought by or against whom a criminal prosecution, civil suit or other legal proceeding has been instituted maliciously and without probable cause, after the termination of such prosecution, suit, or other proceeding in favor of the defendant therein."³⁶ In *Villanueva v. United Coconut Planters Bank*,³⁷ the Court had elucidated that actions filed in good faith cannot be penalized by the imposition of moral damages, to wit:

The respondent bank filed the criminal Complaints for violations of the General Banking Act in its honest belief that these charges were meritorious. There is no credible evidence to show that it was impelled by a desire to unjustly vex, annoy and inflict injury on the petitioner. Before these cases were referred to the city fiscal, it had even conducted its own investigation with the assistance of the National Bureau of Investigation.

Malicious prosecution requires proof that the prosecution was prompted by a sinister design to vex and humiliate the plaintiff. The respondent bank had neither a "bone to pick" with the petitioner nor a "previous dealing with petitioner that could have prompted the respondent bank to turn the tables on him."

Resort to judicial processes, by itself, is not an evidence of ill will, as the mere act of filing a criminal complaint does not make the complainant liable for malicious prosecution. There must be proof that the suit was prompted by legal malice — an inexcusable intent to injure, oppress, vex, annoy or humiliate. A contrary rule would discourage peaceful recourse to the courts and unjustly penalize the exercise of a citizen's right to litigate. **Where the action is filed in good faith, no penalty should be imposed thereon.** (Emphases supplied and citations omitted)

In affirming the award of moral damages, the CA anchored its conclusion on the fact that Odrada did not acquire the Range Rover from Basa in good faith. It explained that subsequent transfer of ownership of the motor vehicle revolved around business colleagues who shared the same business address. The CA thus opined that it was very unlikely that Odrada could not gather relevant information as to the circumstances surrounding the purchase and sale of the vehicle. In addition, the appellate court explained that the complaint for damages was merely filed with the goal of having leverage *vis-a-vis* the criminal complaints Aseniero had filed against

³⁶ *Diaz v. Davao Light and power Co., Inc.*, 549 Phil. 271, 298 (2007).

³⁷ 384 Phil. 130, 144 (2000).

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Odrada and his colleagues. It surmised that the complaint was merely an afterthought intended to complicate matters and to harass respondents.

Verily, the CA reached its conclusions based on mere assumptions and conjunctures. The records are bereft of evidence to categorically indicate that Odrada had knowledge of the irregularities surrounding Basa's acquisition of the Range Rover. Neither was there proof that Odrada was motivated with ill will in filing the complaint for damages against respondents.

On the contrary, the evidence on record supports the finding that Odrada had acted in good faith when he purchased the Range Rover and when he filed the complaint for damages against respondents. It must be remembered that good faith is always presumed and he who alleges bad faith must establish it by clear and convincing evidence.³⁸ There was no proof that Odrada had knowledge that Pueo had dispossessed Aseniero of the motor vehicle which ultimately landed in Basa's possession. The CA merely assumed that since they were colleagues in the business of selling used cars and had the same business address it was unlikely for him to have not gathered relevant information over the motor vehicle.

Further, Odrada had observed the necessary diligence expected from a buyer of a used car as he bought the car from Basa only after he was able to present a CR in his name and after Odrada had secured PNP clearance that the Range Rover was not tagged as stolen. He cannot be faulted in relying on official documents which showed Basa as the registered owner of the vehicle and that the same had not been stolen. Unfortunately for Odrada, Basa never acquired ownership over the said motor vehicle as ownership thereto was already transferred to Aseniero. Nevertheless, he did not act with ill will or improper motives in filing a complaint for damages against respondents as he reasonably believed to be the owner of the Range Rover after buying it from Basa.

Neither could Odrada be liable for moral damages on the ground of abuse of rights under Article 19 of the Civil Code. For there to be abuse of rights, the following must concur: (1) there is a legal right or duty; (2) which is exercised in bad faith; (3) for the sole intent of prejudicing or injuring another.³⁹

In the present case, the requisites for abuse of rights are lacking. To reiterate, Odrada did not act in bad faith when he filed the complaint for damages against respondents. He reasonably believed that he was the rightful owner of the Range Rover considering that Basa was able to present

³⁸ *Spouses Espinoza v. Mayandoc*, 812 Phil. 95 (2017).

³⁹ *Metroheights Subdivision Homeowners Association, Inc. v. CMS Construction and Development Corporation*, G.R. No. 209359, October 17, 2018.

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a CR from the LTO showing that he was the registered owner of the motor vehicle. In addition, Odrada was able to secure a clearance from the PNP certifying that the car he was about to purchase from Basa was not stolen. As such, he acted within reason when he filed the present complaint for damages thinking he was the rightful owner of the Range Rover. In addition, there was no evidence to support that Odrada merely filed the complaint against respondents to prejudice them.


WHEREFORE, the petition is partially **GRANTED**. The July 25, 2012 Decision and the January 21, 2013 Resolution of the Court of Appeals in CA-G.R. CV No. 96154 are **AFFIRMED with MODIFICATION** in that the award of moral and exemplary damages in favor of respondents Virgilio Lazaro and George Aseniero is **DELETED**.

SO ORDERED.

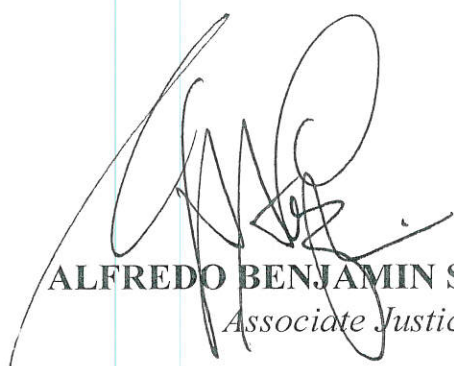


JOSE C. REYES, JR.
Associate Justice

WE CONCUR:



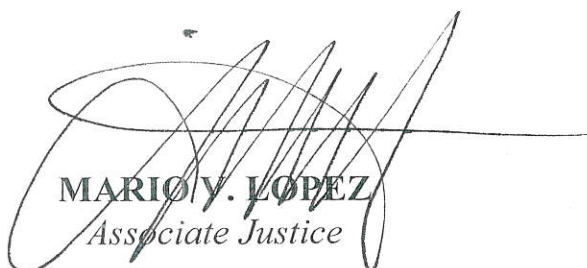
DIOSDADO M. PERALTA
Chief Justice
Chairperson



ALFREDO BENJAMIN S. CAGUIOA
Associate Justice



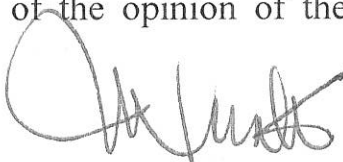
AMY C. LAZARO-JAVIER
Associate Justice



MARIO V. LOPEZ
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