

PROPHECY TO PROFITEERS: A PROLEGOMENON TO A REVIEW OF JURISPRUDENCE ON THE CONSUMER ACT OF THE PHILIPPINES*

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It has been said that “the customer is king” and “the word of the king is law.” In the Philippine setting, these aphorisms hold true and dear, at least in the normative sense.

The consumer’s voice was accorded the long-deserved “royal treatment” in the eyes and ears of the law, so to speak, when Congress enacted Republic Act No. 7394 or popularly known as the Consumer Act of the Philippines. Since this law took effect on 15 July 1992, consumers have included this legal weapon in their transactional armory. Its 173 articles deal with provisions on consumer product safety and quality; food, drugs, cosmetics and devices; deceptive, unfair and unconscionable sales acts and promises; weights and measures; consumer product services and warranties; price tagging; labeling and packaging; liability for products and services; consumer credit transactions; advertising and sales promotions; repair and service firms and consumer complaints handling.

The law aims to protect and promote the best interest and general welfare of the consumer and to establish standards of conduct for business and industry. In a nutshell, the Consumer Act protects the consumers against hazards to health and safety, and against deceptive and unfair sales practices; provides information to facilitate sound choice as well as adequate rights and means of redress; and involves consumer representatives in the formulation of social and economic policies.

These motherhood statements are better amplified in the context of actual cases. This initial discussion takes a second look at pertinent cases decided by the Supreme Court and offers a preliminary observation on the progress of consumer welfare as envisioned and aimed by the Consumer Act.

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In ensuring consumer product quality and safety, three government departments were tasked under the Consumer Act to establish and implement standards and requirements: The Department of Health (DOH) with respect to food, drugs, cosmetics, devices and substances; the Department of Agriculture (DA) with respect to agricultural products, and the Department of Trade and Industry (DTI) with respect to consumer products.¹ The private sector, particularly the business and consumer groups, shall be consulted in the formulation of quality and safety standards and shall be represented in the National Consumer Affairs Council.²

In one case involving regulations issued by the National Telecommunications Commission (NTC),³ the Court remanded a case to the trial court which was to resolve, among others, the relevant question of whether the DTI, and not the NTC, has jurisdiction to regulate the sale of consumer goods like prepaid call cards. In that case, the Court's disposition was limited to the issue of whether the trial court has jurisdiction over an action for the declaration of nullity of the assailed administrative regulations.⁴

THE SHARPER TOOTH OF A PENAL PROVISION

The first set of decisions involving the Consumer Act pertained to criminal cases involving violations of the Consumer Act, starting with *Roberts, Jr. v. Court of Appeals*⁵ of the "Number Fever" fame or infamy.

Insofar as the complaints for violations of the Consumer Act were concerned, no substantial pronouncement, however, was issued in *Roberts* as the said complaints were among those dismissed by the investigating prosecutors. The Court therein recognized the authority of the Secretary of Justice to take cognizance of an appeal by the respondent from a resolution of the investigating prosecutors, even when the complaint or information has already been filed in court.

It must be recalled that Pepsi-Cola Products Philippines, Inc. (PCPPI) launched a promotional activity dubbed as "Number Fever" and offered cash prizes for holders of specially marked crowns or caps with the

¹ REP. ACT No. 7394, art. 6.

² RE. ACT No. 7394, arts. 7, 148-149.

³ *Smart Communications, Inc. (SMART) v. National Telecommunications Commission (NTC)*, G.R. No. 151908, 408 SCRA 678, Aug. 12, 2003.

⁴ *Id.* at 691.

⁵ G.R. No. 113930, 254 SCRA 307, Mar. 5, 1996.

winning numbers. When the "349" was announced on May 25, 1992, thousands of people claimed to have won, but the company allegedly refused to pay all of them on the ground the caps did not contain the proper security codes. The incident spawned several civil cases all over the country, but were eventually dismissed after it was settled that 349 crowns bearing the wrong security code were *not* winning crowns. The correct security code was an indispensable requirement to be entitled to the cash prize concerned. Hence, PCPPI was not liable to pay the amounts printed on the crowns, including damages thereon.⁶

Suffice it to state that to deter deceptive, unfair and unconscionable sales acts and practices, Article 123 of the Consumer Act has set stiff penalties for violations of the various provisions on sales promotions laid down in Articles 110-121.

Later came *People v. Balasa*,⁷ which involves the crime of estafa committed through the Ponzi scheme that utilizes an ever-increasing base of depositors lured through false assurances of 100% or 200% interest rates in 21 or 30 days. It is a G-R-Q (Get Rich Quick) scheme posed as an investment program that offers impossibly high returns and pays these returns to early investors out of the capital contributed by later investors. The idea behind this type of swindle is that the "con-man" collects his money from his second and third round of investors and then absconds before anyone else shows up to collect.⁸

The Court noted the difference between the Ponzi scheme and the "pyramid sales schemes" defined under the Consumer Act as "sales devices whereby a person, upon condition that he makes an investment, is granted by the manufacturer or his representative a right to recruit for profit one or more additional persons who will also be granted such right to recruit upon condition of making similar investments: *Provided*, That the profits of the person employing such a plan are derived primarily from the recruitment of other persons into the plan rather than from the sale of consumer products,

⁶ *Cabigon v. Pepsi Cola Products, Philippines, Inc.*, G.R. No. 168030, 541 SCRA 149, Dec. 19, 2007; *Pepsi Cola Products (Phil.), Inc. v. Espiritu*, G.R. No. 150394, 525 SCRA 527, Jun. 26, 2007; *Pepsi Cola Products Philippines, Incorporated v. Pagdanganan*, G.R. No. 167866, 504 SCRA 549, Oct. 16, 2006; *PEPSICO, Inc. v. Lacamilao*, G.R. No. 146007, 490 SCRA 615, Jun. 15, 2006; *De Mesa v. Pepsi Cola Products Phils., Inc.*, G.R. Nos. 153063-70, 467 SCRA 433, Aug. 19, 2005; *Pepsi Cola Products (Phil.) v. Patan*, G.R. No. 152927, 419 SCRA 417, Jan. 14, 2003, citing the Resolutions of the Court in *Mendoza v. Pepsi-Cola Products Philippines, Inc.*, G.R. No. 153183, July 24, 2002, and *Rodrigo v. Pepsi Cola Products (Phil.), Inc.*, G.R. No. 149411, October 1, 2001.

⁷ G.R. No. 106357, 295 SCRA 49, Sep. 3, 1998.

⁸ *Id.* at 77-78.

services and credit: *Provided, further*, That the limitation on the number of participants does not change the nature of the plan.”⁹ The Court explained:

In the classic pyramid scheme 10 people say, make an investment and each in turn gets 10 additional people to invest, who in their turn must each get 10, and so on. The money for the first 10 “investors” comes from the 10 they enroll, and the money for the second group of 10 comes from the 10 investors that each of them enrolls, and so on. This type of scheme involves a geometric increase in the number of “investors.” The interesting thing about a geometric progression like this is that starting with only 10, by the 10th round of such a scheme the number of participants would have to be *twice as large as the total population of the earth*. Diagrammatically, such a scheme looks like a pyramid—hence its name.¹⁰

In pyramid sales schemes or chain distribution plans, profit is derived primarily from recruitment, while in the Ponzi scheme employed in the *Balasa* case, no right to recruit was involved and neither was the condition for profit chained to the effort of recruitment.

Significantly, *Balasa* is a useful test case on the invocation of the legal principle of *caveat emptor* in a criminal case.¹¹ The accused therein attempted to shift the blame on the private complainants and implied that they should have known that no sensible business could afford to pay such extravagant returns, considering the patent impossibility of the claims. Finding the contention untenable, the High Court ruled:

...The fact that the buyer makes an independent investigation or inspection has been held not to preclude him from relying on the representation made by the seller where *the seller has superior knowledge and the falsity of such representation would not be apparent from such examination and inspection*, and, *a fortiori*, *where the efforts of a buyer to learn the true profits or income of a business or property are thwarted by some device of the seller*, such efforts have been held not to preclude a recovery. It has often been held that the buyer of a business or property is entitled to rely on the seller’s statements concerning its profits, income or rents.

⁹ REP. ACT No. 7394, art. 4 (k).

¹⁰ *People v. Balasa*, G.R. No. 106357, 295 SCRA 49, 78 (footnote 30 therein), Sep. 3, 1998.

¹¹ See *Erquiaga v. Court of Appeals*, G.R. No. 124513, 367 SCRA 357, 366 (2001) where the Court ruled that the ancient defense of *caveat emptor* belongs to a by-gone age and has no place in contemporary business ethics; and *Guinhawa v. People*, G.R. No. 162822, 468 SCRA 278, 304-305 (2005) where it was held that the principle of *caveat emptor* “only requires the purchaser to exercise such care and attention as is usually exercised by ordinarily prudent men in like business affairs, and only applies to defects which are open and patent to the service of one exercising such care”; See also *United States v. Pineda*, 37 Phil. 456 (1918), a criminal case for violation of the Pharmacy Law, which states that the rule of *caveat emptor* cannot apply to the purchase and sale of drugs.

The rule— that where a speaker has knowingly and deliberately made a statement concerning a fact the falsity of which is not apparent to the hearer, and has thus accomplished a fraudulent result, he cannot defend against the fraud by proving that he victim was negligent in failing to discover the falsity of the statement— is said to be ***peculiarly applicable where the owner of the property or a business intentionally makes a false statement concerning its rents, profits or income.*** *The doctrine of caveat emptor has been held not to apply* to such a case.¹² (Emphasis and underscoring supplied)

Balasa throws the *caveat* to shrewd merchants. When it comes to statements concerning the rents, profits or income of a property or business up for sale, sellers should beware for they cannot pass the buck to the buyer for the latter's failings in verifying the veracity of such statements.

The prohibition and penal sanctions against pyramid sales schemes as provided under the complementary penal provisions¹³ of the Consumer Act, however, purport to apply only in the sale of consumer products or those goods that are primarily for personal, family, household or agricultural purposes.¹⁴ In other words, the concept of *consumer* goods is antagonistic to the *industrial* purpose behind purchasing a property or business for its "rents, profits or income." Does this mean that an accused charged with pyramid sales scheme under the Consumer Act may successfully invoke the doctrine of *caveat emptor*?

While the *Balasa* ruling on the non-applicability of the *caveat emptor* doctrine was stated to be "peculiarly applicable" to a false statement concerning rents, profits or income of a property or business, it only means that the doctrine is markedly or evidently applicable in such circumstance.

In the case of consumer goods, it can be argued that it is in the best interest of the consumer¹⁵ to disallow the defense of *caveat emptor*, so long as the general requisites— that the seller has superior knowledge and the falsity is not apparent, and that a device of the seller thwarts the buyer's efforts to discover the falsity— are established.

Further, pyramid sales schemes being a *mala prohibitum*, the mere act of establishing a system of recruitment as the primary basis for granting profit

¹² *Id.* at 79-80.

¹³ REP. ACT No. 7394, arts. 53 & 60.

¹⁴ REP. ACT No. 7394, art. 4 (c).

¹⁵ REP. ACT No. 7394, art. 3.

is punishable. The intent to defraud is immaterial and it becomes unnecessary to dilute this element by citing contributory negligence on the part of the victim.

Another criminal case involving an offense punishable under the Consumer Act is *People v. Estrada*,¹⁶ which was decided by the Supreme Court roughly three weeks after *Balasa*. The case concerns a search warrant covering medicines and drugs in tablet, vial or ampoule forms being sold, distributed and transferred without the necessary license from the Department of Health (DOH) in violation of Article 40(k) of the Consumer Act which prohibits the “the manufacture, importation, exportation, sale, offering for sale, distribution, or transfer of any drug or device by any person without the license from the Department required in this Act” and punishable under Article 41 thereof.

In that case, the Court sustained on two grounds the trial court’s quashal of the search warrant applied for by the Bureau of Food and Drugs (BFAD). It reiterated the basic constitutional principles in the actual context of enforcing a penal provision of the Consumer Act.

The first ground is the unjustifiable failure to present documentary proof indicating that the respondent had no license to sell drugs. The Court ruled that the introduction of documentary evidence is necessary especially in cases where the issue is the existence of the negative ingredient of the offense charged (*i.e.*, the absence of a license required by law) and such evidence is within the knowledge and control of the applicant.¹⁷ It added that mere allegation as to the non-existence of a license is not sufficient to establish probable cause for a search warrant and the presumption of regularity cannot be invoked in aid of the process when an officer undertakes to justify it.

The second ground discusses how the search warrant was characterized as a general warrant. The Court ruled that the place to be searched had not been described with sufficient particularity. It turned out that respondent’s residence, which was even sketched in the application for search warrant, was located at Lot No. 41 while the medicines were found in and seized from a nearby warehouse owned by a different person and situated at Lot 38 within the same 5,000-square meter compound in the same address.

¹⁶ G.R. No. 124461, 296 SCRA 383, Sep. 25, 1998.

¹⁷ *People v. Estrada*, G.R. No. 124461, 296 SCRA 383, 398, Sep. 25, 1998.

ON PRODUCT LABELING, SAFETY STANDARDS AND WARRANTIES

The compulsory provisions of the Consumer Act on product labeling and fair packaging interplayed with the constitutional provisions on the separation of Church and State¹⁸ and the non-establishment clause¹⁹ in the case of *Islamic Da'Wab Council of the Philippines v. Office of the Executive Secretary*²⁰ where the religious right to classify a product as halal²¹ was recognized.

In 2001, Executive Order (EO) No. 46²² was issued creating the Philippine Halal Certification Scheme and granted the Office on Muslim Affairs (OMA) the exclusive authority to issue halal certificates. The issuance impeded the operation of petitioner, a non-governmental organization that issue, for a fee, halal certifications to qualified products and manufacturers. The petitioner thus filed a petition for prohibition which was granted by the Supreme Court. In declaring EO 46 null and void for being unconstitutional, the Court ruled:

Without doubt, classifying a food product as halal is a religious function because the standards used are drawn from the Qur'an and Islamic beliefs. By giving OMA the exclusive power to classify food products as halal, EO 46 encroached on the religious freedom of Muslim organizations like herein petitioner to interpret for Filipino Muslims what food products are fit for Muslim consumption. Also, by arrogating to itself the task of issuing halal certifications, the State has in effect forced Muslims to accept its own interpretation of the Qur'an and Sunnah on halal food.²³

The Court dismissed the counter-argument on the police power of the State or, more particularly, the protection and promotion of the Muslim Filipino's right to health and to instill health consciousness in them, because there was no showing that an immediate and grave danger to the security and welfare of the community exists to justify the infringement of religious freedom.

¹⁸ CONST. art. II, § 6.

¹⁹ CONST. art. III, § 5.

²⁰ G.R. No. 153888, 405 SCRA 497, Jul. 9, 2003.

²¹ *Islamic Da'Wab Council of the Philippines v. Office of the Executive Secretary*, G.R. No. 153888, 405 SCRA 497, 504, Jul. 9, 2003. "Halal" is a Muslim term that means "to slaughter for food" and denotes lawful food, things, manners and actions allowed by God for mankind and enjoined upon believers (*id.* at 499, footnote 2).

²² Entitled "Authorizing the Office on Muslim Affairs to undertake Philippine Halal Certification" dated October 26, 2001.

²³ *Islamic Da'Wab Council of the Philippines v. Office of the Executive Secretary*, G.R. No. 153888, 405 SCRA 497, 504, Jul. 9, 2003.

Moreover, the Court ratiocinated that the protection and promotion of the right to health are already provided for in existing laws and ministered to by government agencies charged with ensuring that food products released in the market are fit for human consumption, properly labeled and safe. Expounding on this conclusion, the Court extensively cited, *inter alia*,²⁴ pertinent provisions of the Consumer Act which

...gives to certain government departments the duty to protect the interests of the consumer, promote his general welfare and to establish standards of conduct for business and industry. To this end, a food product, before its distribution to the market, is required to ***secure the Philippine Standard Certification Mark after the concerned department inspects and certifies its compliance with quality and safety standards.***

One such government agency designated by RA 7394 is the Bureau of Food and Drugs (BFD) of the Department of Health (DOH). Under Article 22 of said law, BFD has the duty to ***promulgate and enforce rules and regulations fixing and establishing a reasonable definition and standard of identity, a standard of quality and a standard of fill of containers for food.*** The BFD also ensures that food products released in the market are not adulterated.

Furthermore, under Article 48 of RA 7394, the Department of Trade and Industry (DTI) is tasked to ***protect the consumer against deceptive, unfair and unconscionable sales acts or practices*** as defined in Article 50. DTI also ***enforces compulsory labeling and fair packaging to enable the consumer to obtain accurate information as to the nature, quality and quantity of the contents of consumer products and to facilitate his comparison of the value of such products.***

With these regulatory bodies given detailed functions on how to screen and check the quality and safety of food products, the perceived danger against the health of muslim and non-muslim Filipinos alike is totally avoided. Of great help are the provisions on labeling of food products (Articles 74 to 85) of RA 7394. In fact, through these labeling provisions, the State ably informs the consuming public of the contents of food products released in the market. Stiff sanctions are imposed on violators of said labeling requirements.²⁵ (Emphasis supplied)

²⁴ Likewise cited was EXECUTIVE ORDER No. 292 or the ADMINISTRATIVE CODE of 1987, § 84 (4) which grants to the National Meat Inspection Commission (NMIC) of the Department of Agriculture the power to inspect slaughtered animals intended for human consumption to ensure the safety of the meat released in the market.

²⁵ *Islamic Da'Wah Council of the Philippines v. Office of the Executive Secretary*, G.R. No. 153888, 405 SCRA 497, 505-509, Jul. 9, 2003.

The Court declared that these laws on food safety and quality do not encroach on religious freedom as they are non-secular steps established by the State to ensure that the consumers' right to health is protected. It stated that the halal certifications issued by the petitioner and similar organizations come forward as the official religious approval of a food product fit for muslim consumption. In concurrence, Justice Jose Vitug and (now Chief) Justice Reynato Puno shared the view that the halal certification issued by the petitioner should not be taken as a compulsory requirement but should remain optional for food manufacturers, which may decide to secure it on the basis of marketing advantage.²⁶

In recent years, the State has taken a firm stand in regulating the labeling and advertisements of certain consumer goods like tobacco products. For instance, Republic Act No. 9211 or the Tobacco Regulation Act of 2003²⁷ amended Article 94 of the Consumer Act by imposing additional requirements in the labeling of cigarettes.

Article 77 on the minimum labeling requirements²⁸ was once again invoked in the 2007 case of *Air Philippines Corp v. Pennswell, Inc.*,²⁹ where the

²⁶ *Islamic Da'Wah Council of the Philippines v. Office of the Executive Secretary*, G.R. No. 153888, 405 SCRA 497, 513, Jul. 9, 2003.

²⁷ Entitled "An Act Regulating the Packaging, Use, Sale Distribution and Advertisements of Tobacco Products and for other Purposes" (June 23, 2003).

²⁸ Art. 77. *Minimum Labeling Requirements for Consumer Products.* — All consumer products domestically sold whether manufactured locally or imported shall indicate the following in their respective labels of packaging:

- a) its correct and registered trade name or brand name;
- b) its duly registered trademark;
- c) its duly registered business name;
- d) the address of the manufacturer, importer, repacker of the consumer product in the Philippines;
- e) its general make or active ingredients;
- f) the net quality of contents, in terms of weight, measure or numerical count rounded off to at least the nearest tenths in the metric system;
- g) country of manufacture, if imported; and
- h) if a consumer product is manufactured, refilled or repacked under license from a principal, the label shall so state the fact.

The following may be required by the concerned department in accordance with the rules and regulations they will promulgate under authority of this Act:

- a) whether it is flammable or inflammable;
- b) directions for use, if necessary;
- c) warning of toxicity;
- d) wattage, voltage or amperes; or
- e) process of manufacture used if necessary.

Any word, statement or other information required by or under authority of the preceding paragraph shall appear on the label or labeling with such conspicuousness as compared with other words, statements, designs or devices therein, and in such terms as to render it likely to be read and understood by the ordinary individual under customary conditions of purchase or use.

The above requirements shall form an integral part of the label without danger of being erased or detached under ordinary handling of the product.

right to be informed of the ingredients or components of a product was pitted against the privilege nature of trade secrets. The latter doctrine prevailed. The conflicting interests were weighed in favor of the respondent having proprietary rights over the chemical formulation of its products.

In the case at bar, petitioner cannot rely on Section 77 of Republic Act 7394, or the Consumer Act of the Philippines, in order to compel respondent to reveal the chemical components of its products. While it is true that all consumer products domestically sold, whether manufactured locally or imported, shall indicate their general make or active ingredients in their respective labels of packaging, the law does not apply to respondent. Respondent's specialized lubricants -- namely, Contact Grease, Connector Grease, Thixohtropic Grease, Di-Electric Strength Protective Coating, Dry Lubricant and Anti-Seize Compound -- are **not consumer products**.

"Consumer products," as it is defined in Article 4(q), refers to *goods, services and credits, debts or obligations which are primarily for personal, family, household or agricultural purposes, which shall include, but not be limited to, food, drugs, cosmetics, and devices*. This is not the nature of respondent's products. ***Its products are not intended for personal, family, household or agricultural purposes. Rather, they are for industrial use, specifically for the use of aircraft propellers and engines.***³⁰ (Emphasis and underscoring supplied)

In that case, the Court disallowed the mode of discovery,³¹ which petitioner availed of to elicit defense evidence in the collection case and to prove the alleged fraud of selling identical products that were misrepresented as belonging to a new line of products.

The Court, however, was quick to add that the privilege is not absolute as the trial court may compel disclosure where it is indispensable for doing justice or where it is shown that a compelling reason exists to lift the veil of confidentiality which shields trade secrets. Mulling over this pronouncement from the Court, one sees a glimmer of hope in future litigation involving a real "consumer product" and an aggrieved "consumer."

²⁹ G.R. No. 172835, 540 SCRA 215, Dec. 13, 2007.

³⁰ *Id.* at 240-241.

³¹ RULES OF COURT, Rule 27, § 1 reads: "Upon motion of any party showing good cause therefor, the court in which an action is pending may (a) order any party to produce and permit the inspection and copying or photographing, by or on behalf of the moving party, of any designated documents, papers, books, accounts, letters, photographs, objects or tangible things, not privileged, which constitute or contain evidence material to any matter involved in the action and which are in his possession, custody or control; or (b) order any party to permit entry upon designated land or other property in his possession or control for the purpose of inspecting, measuring, surveying, or photographing the property or any designated relevant object or operation thereon. The order shall specify the time, place and manner of making the inspection and taking copies and photographs, and may prescribe such terms and conditions as are just." (Underscoring supplied)

Basically, the relevant issue on the applicability of the Consumer Act in *Air Philippines* boiled down to the elemental question of whether the subject products or services were “consumer products and services” as defined by the Consumer Act. This leads us to the vital question of who is a consumer.

For purposes of the law, a consumer means a “natural person who is a purchaser, lessee, recipient or prospective purchaser, lessee or recipient of consumer products, services or credit.” Note that the law protects not only actual consumers but prospective ones as well. Corporations and other juridical persons were excluded from the scope of the definition because the law primarily protects the *hoi polloi* who strive to get the most value out of their hard-earned money. Further, corporate entities employ an entire department devoted solely to purchasing materials and commodities. They have at their disposal an army of trained employees to protect their interests as industrial purchasers.

The law came in to temper, if not eliminate, the circumstantial inequity between the capitalist entities and the individual person. Consequently, much of the mandatory and prohibitive provisions of the law apply to the manufacturers, producers, distributors and advertisers for benefit of the consumer. Nonetheless, a business entity derive a certain degree of benefit, indirectly insofar as maintaining goodwill in the market and directly to the extent of arriving at a much informed purchasing decision as industrial customers themselves.

Meanwhile, in *De Guzman v. Toyota Cubao, Inc.*,³² the Court had the opportunity to discuss implied warranty. The buyer alleges that the engine of the brand new pick-up vehicle he purchased in November 1997 was defective for it developed a crack after traversing Marcos Highway during a heavy rain in October 1998. The petitioner invoked Article 169 of the Consumer Act which provide that “[a]ll actions or claims accruing under the provisions of this Act and the rules and regulations issued pursuant thereto shall prescribe within two (2) years from the time the consumer transaction was consummated or the deceptive or unfair and unconscionable act or practice was committed and in case of hidden defects, from discovery thereof.” Tangentially, he adds that his suit was an action based on quasi-delict which prescribes in four years.

The complaint was dismissed for being time-barred. The Court applied the more specific provisions on prescription, *viz*:

³² G.R. No. 141480, 508 SCRA 408, Nov. 29, 2006.

...In the absence of an existing express warranty on the part of the respondent, as in this case, the allegations in petitioner's complaint for damages were clearly anchored on the enforcement of an implied warranty against hidden defects, *i.e.*, that the engine of the vehicle which respondent had sold to him was not defective. By filing this case, petitioner wants to hold respondent responsible for breach of implied warranty for having sold a vehicle with defective engine. Such being the case, petitioner should have exercised this right within six months from the delivery of the thing sold. Since petitioner filed the complaint on April 20, 1999, or more than nineteen months counted from November 29, 1997 (the date of the delivery of the motor vehicle), his cause of action had become time-barred.

Petitioner contends that the subject motor vehicle comes within the context of Republic Act No. 7394. Thus, petitioner relies on Article 68 (f) (2) in relation to Article 169 of Republic Act No. 7394. Article 4 (q) of the said law defines "consumer products and services" as goods, services and credits, debts or obligations which are primarily for personal, family, household or agricultural purposes, which shall include, but not limited to, food, drugs, cosmetics, and devices. The following provisions of Republic Act No. 7394 state:

Art. 67. *Applicable Law on Warranties.* — The provisions of the Civil Code on conditions and warranties shall govern all contracts of sale with conditions and warranties.

Art. 68. *Additional Provisions on Warranties.* — In addition to the Civil Code provisions on sale with warranties, the following provisions shall govern the sale of consumer products with warranty

...

e) Duration of warranty. The seller and the consumer may stipulate the period within which the express warranty shall be enforceable. If the implied warranty on merchantability accompanies an express warranty, both will be of equal duration.

Any other implied warranty shall endure not less than sixty (60) days nor more than one (1) year following the sale of new consumer products.

f) Breach of warranties —

...

2) In case of breach of implied warranty, the consumer may retain in the goods and recover damages, or reject the goods, cancel the contract and recover from the seller so much of the purchase price as has been paid, including damages.

Consequently, *even if the complaint is made to fall under the Republic Act No. 7394, the same should still be dismissed since the prescriptive period for implied warranty thereunder, which*

*is one year, had likewise lapsed.*³³ (Italics in the original; emphasis supplied)

Citing Article 67 of the Consumer Act itself, the Court emphasized the primacy of the Civil Code provisions on conditions and warranties specifically that which sets a period of six months within which to file an action arising from warranty against hidden defects.³⁴ The conclusion of the Court leads one to ask what types of action should accrue within two years as contemplated by the phrase “in case of hidden defects, from discovery thereof” in Article 169.

THE FUTURE OF CONSUMER PROTECTION LAW

The jurisprudential landscape has merely scratched the surface of the field of consumer protection recognized under the Consumer Act, for oftentimes the decisions resort to conventional doctrines in civil law and traditional modes in remedial law as grounds and remedies to redress their grievances as consumers.

The statutory provisions laid down in the Consumer Act provide a fertile ground to sow the seeds of consumer welfare and to instill a consumer-friendly paradigm among business establishments. It is fervently hoped that with proper compliance with basic constitutional doctrines and procedural norms, the safeguards for the protection of the consumers would be enforced to the fullest.

Indeed, the Consumer Act reinforces corporate social responsibility in almost every aspect of the marketing function. While the classic maxim “buyers beware” still holds true, the law aims to minimize the attendant risks of exercising the purchasing power of an individual. With the Consumer Act in place, the law proceeds to reinforce a corresponding caution: *caveat venditor*.

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³³ *De Guzman v. Toyota Cubao, Inc.*, G.R. No. 141480, 508 SCRA 408, 417-417, Nov. 29, 2006, citing *Goodyear Philippines, Inc. v. Sy*, G.R. No. 154554, 474 SCRA 427, Nov. 9, 2005.

³⁴ CIVIL CODE, art. 1571 in relation to arts. 1561 & 1566 specifically.